

Index

A

ABANDONMENT

- Deduction of unamortized lease expenses, **21:2, 21:9**
- Partnership interest, **8:46**
- Suspended passive losses allowed, **11:11**

ACCELERATED COST RECOVERY

- Improvements to leased property, purchase of lease, **21:3**

ACCELERATED COST RECOVERY SYSTEM (ACRS)

- Time for commencing depreciation, **14:5**

ACCESS

- Conservation easement, access to, **26:16**

ACCOUNTING

- Partnerships, **8:30**

ACCOUNTING FEES

- Construction of real estate, **12:12**

ACCOUNTING METHODS

- Generally, **13:1, 13:8**
- Accrual method. See index heading **ACCRUAL METHOD OF ACCOUNTING**
- Alternative minimum tax, **13:17**
- Cash method. See index heading **CASH METHOD OF ACCOUNTING**
- Change in accounting method, **13:14**
- Disallowance of income and deductions among taxpayers, **13:16**
- Imputed interest, **13:15**
- Installment method, **13:11**
- Long-term contracts, **13:12**
- Miscellaneous tax accounting issues, **13:16 to 13:17**
- Original issue discount/imputed interest, **13:15**
- Partnerships, **8:12**
- Reallocation of income and deductions among taxpayers, **13:16**
- S corporations, **9:11**
- Scope, **13:1**
- Uniform capitalization rules, **13:13**

ACCOUNTING PERIODS

- Change in taxable year, **13:6**
- Elections, **13:4**
- 52-53 week taxable year, **13:5**
- Overview, **13:2 to 13:7**
- Partnerships, **13:3, 13:4**

ACCOUNTING PERIODS—Cont'd

- Personal service corporations, **13:3, 13:4**
- Real estate investment trusts (REIT), **10:3**
- S corporations, **13:3, 13:4**
- Short taxable year, **13:7**
- Taxable years, **13:3, 13:5 to 13:7**

ACCRUAL BASIS TAXPAYERS

- Tenants
 - deferral of rent payments, **21:2, 21:8**
 - related to landlord, **21:3, 21:9**

ACCRUAL METHOD OF ACCOUNTING

- Accounting methods, **13:10**
- Installment sales, **17:3**

ACQUISITION INDEBTEDNESS

- Defined, **4:7**
- Mortgagor-mortgagee relationships, taxation of borrowed funds, **20:4**
- Principal residence, defined, **4:7**

ACQUISITION OF INDEBTEDNESS

- Pension trusts, **27:11**

ACQUISITION OF REAL ESTATE

- Generally, **12:2**
- Costs of acquisition, treatment of, **12:3**
- Demolition expenses, **12:4**
- Imputed interest, purchases or sales with, **12:6**
- Mortgagor-mortgagee relationships. See index heading **MORTGAGES**
- Original issue discount, purchases or sales with, **12:6**
- Scope of chapter, **12:1**
- Taxes on real property, **12:5**

ACRS

- See index heading **ACCELERATED COST RECOVERY SYSTEM (ACRS)**

ACTIVE PARTICIPATION RULES

- Passive loss limitation rules, **11:6**
- Publicly traded partnerships, **11:13**

ACTIVITY

- Passive loss limitation rules
 - defined, **11:4**
 - legislative history, **11:4**
 - treatment as one or more, **11:4**

ACTIVITY NOT ENGAGED IN FOR PROFIT

- Condominium unit rental, deductions, **5:4**

ADDITIONAL RENT

- Improvements made by tenant on leased premises, **21:18**
- Landlord's expenses paid by tenant, **21:14, 21:15**
- Landlord's income taxes paid by tenant, **21:15**
- Real estate taxes paid by tenant, **21:15**
- Security deposits, **21:20**
- Tenant's payments in lieu of repair obligations, **21:17**
- Waiver of rent obtained by seller/tenant, sale/leaseback transaction, **21:19**

ADDITIONS TO BASIS

- Settlement costs, principal residence, purchase, **4:3**

ADJUSTED BASIS

- Generally, **1:8**
- New markets tax credit, **16:28**
- Partnership interest, operating loss deduction limitation, **6:17**
- Rehabilitation credit, **16:13, 16:17, 16:21**
- Stock, limitation on shareholder losses, **6:17**

ADVANCE RENT

- Deduction, **21:4, 21:7**

ADVERTISING

- Dealer determination, **23:3**
- Sales of real property, dealer status determined, **23:3**

AFFILIATED SUPPORT ORGANIZATIONS

- Pension trusts, **27:12**

AGENCY CORPORATIONS

- Usury law limitations avoidance, **6:14**

AGENTS

- Defined, **22:11**
- Foreign persons, activities conducted by attributable to, **22:2**
- Liability for FIRPTA withholding tax, **22:11**

AGGREGATION RULES

- Passive loss limitation rules, **11:4**

ALLOCATION OF AGREEMENT APPROACH

- Accrued rent calculation under Section 467, **21:2**
- Rent accruals, **21:2, 21:8**

ALLOCATIONS

- See also index heading **PARTNERSHIP ALLOCATIONS**
- Acquisition indebtedness in excess of limit, **4:7**
- Basis, allocation of, **1:7, 1:13**
- Interest, mortgages, **4:7**
- Low-income housing credit, **16:3, 16:4, 16:21**
- Nonrecourse liabilities, allocations attributable to, **8:28**
- Rehabilitation credit, **16:21**
- Suspended passive activity losses, **11:3**

ALTERATIONS

- Existing structure, construction under collapsible corporation definition, **23:6**

ALTERNATIVE MINIMUM TAX

- Accounting methods, **13:17**
- Low-income housing credit, **16:9**
- Rehabilitation credit, **16:18**

ALTERNATIVE MINIMUM TAXABLE INCOME

- Nonresident alien individuals, FIRPTA tax, **22:3**

ALTERNATIVE TAX FOR CORPORATIONS

- Foreign corporations with FIRPTA gains, **22:3**

ALTERNATIVE WITHHOLDING RULE

- FIRPTA, partnerships or trusts having more than 100 partners or beneficiaries, **22:12**

AMERICAN JOBS CREATION ACT OF 2004

- Depreciation, tax-exempt entity leasing, **14:19**
- Qualified production activities income deduction, **12:7**
- Start-up expenditures, deduction of, **12:14**

AMORTIZATION

- Bonus for lease paid by tenant, **21:4, 21:12**
- Cancellation of lease payments, **21:13, 21:21**
- Depreciation, **14:26**
- Intangible assets, **14:26**
- Lease acquisition expenses
 - landlords, **21:9**
 - tenants, **21:10**
- Lease acquisition payments
 - landlords, **21:2**
 - tenants, **21:3**

AMOUNT

- Charitable contributions of real estate interests, **26:8**
- Investment tax credit. See index heading **INVESTMENT TAX CREDITS**

ANCILLARY PAYMENTS

- Involuntary conversions, **19:11**

ANNUAL EXCLUSION

- See index heading **GIFT TAX ANNUAL EXCLUSION**

ANNUAL EXCLUSION FROM GIFT TAX

- Estate planning for real estate, **25:3**

ANNUITIES

- Foreign persons, income not connected with conduct of trade or business in U.S., **22:2**
- Pension trusts, **27:5**
- Portfolio income classification, **11:8**

ANTI-ABUSE RULES

- Installment sales, **17:21**

INDEX

ANTI-CHURNING RULES

Depreciation, **14:10, 14:26**

APPLICABLE PERCENTAGE

Depreciation recapture, defined, **2:10**
Low-income housing credit, **16:6**

APPLICATIONS

Withholding certificates, FIRPTA, **22:10**

APPRAISAL

Charitable contributions of real estate interests, **26:19**

APPRAISAL FEES

Moving expenses, **4:4**

APPRAISAL KICKER LOAN

Creative financing considerations, **24:2**

APPRECIATED PROPERTY

Charitable contributions of real estate interests, **26:5**

APPROPRIATE ECONOMIC UNIT

Passive loss limitation rules, **11:4**

ARTICLES OF ORGANIZATION

Limited liability companies, **6:6**

ARTIST'S STUDIO

Home office deduction, **4:11**

ASBESTOS

Operation of real estate, **12:21**

ASSESSMENTS

Condominium
exempt function income, **5:7**
tax treatment, **5:5**

ASSET PROTECTION

Estate planning for real estate, **25:40**

ASSET SALES

S corporations, **9:8**

ASSOCIATION TAXABLE AS A CORPORATION

Tax classification, **6:15**

ASSUMPTION OF LIABILITIES

Installment sales
ordinary course of business debt, **17:10**
seller's nonmortgage obligations, **17:9**
Mortgagor-mortgagee relationships, **20:2**
Partnership liabilities, **8:16**

AT-RISK RULES

Basis, partners and partnerships, focus on, **1:22**
Low-income housing credit, **16:9, 16:21**
Partners and partnerships, focus on, **1:22**
Rehabilitation credit, **16:18, 16:21**

ATTORNEY FEES

See also index heading **LEGAL FEES**
Construction of real estate, **12:12**
Lease acquisition expenses
generally, **21:2**
capitalization and amortization, **21:9**
Moving expenses, **4:4**
Principal residence, purchase of, basis addition, **4:3**

ATTRIBUTION RULES

Controlling interest, U.S. real property holding corporations, **22:6**
Personal service corporations, employee-owners, **11:2**

AVERAGE LOAN BALANCE

Interest deduction limits, **4:7**

AVERAGE PERIOD OF CUSTOMER USE

Rental activities, passive loss limitation rules, **11:6**

AVOIDANCE OF STATE USURY LAWS

Corporation holding legal title, **6:14**

B

BAD DEBT DEDUCTION

Mortgages, **20:7, 20:11**

BANKRUPTCY OR INSOLVENCY

Business trust, involuntary termination, **6:8, 6:19**
General partner, dissolution of general partnership, **6:4**
Limited partner, effect of, **6:5**
Mortgagor-mortgagee relationships, **20:5**

BARGAIN SALES

Charitable contributions of real estate interests, **26:11**

BASIS

Generally, **1:1**
Adjusted basis. See index heading **ADJUSTED BASIS**
Adjustments, partnerships, **8:45**
Allocation of basis, **1:7, 1:13**
Allocation of liability among partners, **8:16**
Assumption of liabilities, partnerships, **8:16**
At risk, partners and partnerships, focus on, **1:22**
Attorney fees, principal residence, purchase, **4:3**
Capitalize, election to, **1:9**
Carrying charges, **1:9**
Character of property contributed to partnership, **8:17**
Charitable contributions of real estate interests
bargain sale, allocation of basis, **26:11**
deductibility of charitable contributions, **26:8**
Construction, property acquired by, **1:2**
Contingent debt, **1:2**

BASIS—Cont'd

Conversion, **1:5**
 Conversion from personal to business use, **1:20**
 Corporation
 contributed to corporation, **1:19**
 distributed by corporation, **1:18**
 Cost, inclusions in, **1:2**
 Death, transfer to decedent in contemplation of, **1:4**
 Debt, property acquired in satisfaction of, **1:6**
 Depreciable, cooperative unit, **5:10**
 Determining original basis, **1:1**
 Disappearing debt, **1:2**
 Effect of basis, **1:1**
 Election or option
 capitalize, generally, **1:9**
 period costs, optional capitalization of, **1:10**
 purchase option, **1:2**
 Estate planning for real estate
 generally, **25:7**
 estate, basis of property distributed from, **25:8**
 gift, basis acquired by, **25:8**
 partnership, basis of property distributed from, **25:8**
 present law, general basis rules under, **25:8**
 trust, basis of property distributed by, **25:8**
 Exceptions, partnerships, **8:20**
 Exclusions from cost, **1:2**
 Federal grants, **1:2**
 Gift tax adjustment, **1:3**
 Gifts. See index heading GIFTS
 Guaranteed payments, **1:16**
 Holding period, partnerships, **8:18**
 Inheritance, property acquired by, **1:4**
 Installment sales, **17:9**
 Interest, capitalization of, **1:10**
 Investment tax credits. See index heading INVESTMENT TAX CREDITS
 Invisible debt, **1:2**
 Involuntary conversions, **1:5, 19:5**
 Leased property
 improvements made by tenant, **21:18**
 purchase of fee by tenant, unamortized costs added to basis, **21:3, 21:10**
 unamortized lease expenses added to on sale, **21:2, 21:9**
 Liens and encumbrances, **1:14**
 Liquidating distributions, **1:15**
 Liquidation of partnership, **8:16**
 Loan not equity, **1:2**
 Low-income housing credit, **16:6, 16:8, 16:21**
 Mandatory capitalization, **1:10**
 Money or other property, receipt of partnership for, **8:20**
 Mortgagor-mortgagee relationships. See index heading MORTGAGES

BASIS—Cont'd

New markets tax credit, **16:28**
 Nonrecourse liabilities, partnerships, **8:16**
 Nonstockholder, contribution by, **1:19**
 Option. Election or option, above
 Overview, **1:1**
 Partnerships
 generally, **8:15 to 8:21**
 adjustments, **8:45**
 allocation of basis among distributed properties, **1:13**
 allocation of liability among partners, **8:16**
 assumption of liabilities, **8:16**
 at risk, **1:22**
 character of property contributed to partnership, **8:17**
 contributed to partnership, **1:17**
 distributions within first two years, exception for, **1:12**
 encumbered property, **1:14**
 exceptions, **1:12, 8:20**
 guaranteed payments, **1:16**
 holding period, **8:18**
 liquidating distributions, **1:15**
 liquidation of partnership, **8:16**
 money or other property, receipt of partnership for, **8:20**
 nonrecourse liabilities, **8:16**
 property distributed by partnership, generally, **1:11 to 1:16**
 receipt of partnership for money, other property or services, **8:19 to 8:21**
 recourse liabilities, **8:16**
 sales or exchanges, **1:16**
 services, receipt of partnership for, **8:21**
 special rule for nonrecourse liability with interest guaranteed, **8:16**
 taking on liabilities, **8:16**
 Tax Reform Act of 1984, **8:17**
 Passive activity property transferred in taxable disposition, suspended credit, increased by, **11:11**
 Period costs, optional capitalization of, **1:10**
 Principal residence
 additions, **4:3**
 purchase, **4:3**
 Purchase, property acquired by, **1:2**
 Receipt of partnership for money, other property or services, **8:19 to 8:21**
 Recognition and valuation, **1:21**
 Recordation fees, principal residence, purchase, **4:3**
 Recourse liabilities, partnerships, **8:16**
 Rehabilitation credit, **16:13, 16:15, 16:17, 16:21**
 S corporations, **9:6**
 Sales or exchanges, **1:16**

BASIS—Cont'd

- Satisfaction of debt, property acquired in, **1:6**
- Services
 - basis of property acquired in exchange for, **1:21**
 - receipt of partnership for, **8:21**
- Settlement costs, principal residence, purchase, **4:3**
- Sham debt, **1:2**
- Special rule for nonrecourse liability with interest guaranteed, partnerships, **8:16**
- Speculative debt, **1:2, 20:2**
- Stockholder, contribution by, **1:19**
- Subsequent sale by donee at loss, **1:3**
- Taking on liabilities, partnerships, **8:16**
- Tax Reform Act of 1984, **8:17**
- Tax-free exchange or reinvestment, property acquired in, **1:5**
- Title reports, principal residence, purchase, **4:3**
- Transfer taxes, **4:3**

BEGINNING EXPENSES

- Partnerships, **8:14**

BENEFICIAL INTEREST

- Business trust, security characterization, **6:8**

BENEFICIARIES

- Business trusts, **6:8**

BENEFIT ASSOCIATIONS

- Pension trusts, **27:3, 27:8**

BID PRICE

- Partnership inventory, collapsible partnerships, **23:7**

BIG TAX

- See index heading **BUILT-IN GAINS TAX**

BLANKET WITHHOLDING CERTIFICATE

- FIRPTA, **22:10**

BLOCK TRANSFERS

- Publicly traded partnerships, **11:13**

“BLOCKAGE DISCOUNT”

- Estate planning for real estate, **25:11**

BOARD OF DIRECTORS

- S corporations, **9:12, 9:14**

BONUS

- Cancellation of lease
 - amortization of landlord's payments, **21:13, 21:21**
 - deduction to tenant in year of payment, **21:14, 21:22**
 - ordinary income to landlord, **21:14, 21:22**
- Depreciation, **14:8**

BONUS—Cont'd

- Tenant's payment for lease
 - amortization by tenant, **21:4, 21:12**
 - rental income to landlord, **21:4, 21:11**

BOOT

- Disposition of interest in activity, gain treated as passive income, **11:11**
- Like-kind exchanges, **18:8**

BOOTSTRAP SALES

- Gain as ordinary income, **3:4**

BRANCH LEVEL INTEREST TAX

- Foreign corporations
 - exemption from, **22:19**
 - interest paid treated as paid by domestic corporation, **22:18**

BRANCH PROFITS TAX

- Foreign corporations
 - earnings and profits, **22:17**
 - exemption from, **22:19**
 - qualified resident, tax rate determined by income tax treaty, **22:19**

BROKERAGE EFFORTS

- Dealer determination, **23:3**

BUILD-OUT ALLOWANCES

- Landlord inducements to tenant, **21:5**

BURDEN OF PROOF

- Passive loss limitation rules, participation in activity, **11:7**

BUSINESS ENTITIES

- Choice of, generally, **6:1 et seq.**
- Double taxation of income, **6:16**
- Equity financing, restrictions, **6:11**
- Factors in choice of, **6:1**
- Financing
 - access to, **6:12**
 - admission of new partners, **6:11**
 - debt, **6:11**
 - equity investment, **6:11**
 - stock issuance, **6:11**
- Fringe benefits, availability of, **6:19**
- General partnerships, **6:4**
- Limited liability companies, **6:6**
- Operating losses deductibility, **6:17**
- Proprietorships, **6:3**
- State law considerations, **6:2**
- Tax fundamentals
 - deductibility of operating losses, **6:17**
 - double taxation, avoidance of, **6:16**
 - fringe benefits, treatment of, **6:19**
 - protection of “investor” status, **6:18**
 - tax classification, **6:15**

BUSINESS EXPENSES

- Home office, **4:11**
- Home storage of inventory, **4:12**

BUSINESS PURPOSE

- Gift/leasebacks, rent deduction, **21:7, 21:12**
- Separate activity, passive loss limitation rules, **11:5**

BUSINESS REAL ESTATE ACTIVITIES

- Segregation from personal real estate activities, protection of investor status, **6:18**

BUSINESS TAX DEFICIENCY INTEREST

- Operation of real estate, **12:22**

BUSINESS TRUSTS

- Choice of entity considerations, **6:8**

BUSINESS USE OF HOME

- Generally, **4:10**
- Day care use, **4:14**
- Home office, **4:11**
- Home storage, **4:12**
- Rental of, **4:13**

BUY-OUT AGREEMENTS

- Partnership, holding period of property purchased pursuant to, **2:8**

BUY-SELL AGREEMENTS

- Estate planning for real estate, **25:22**
- Unrelated party removed from corporation, **23:5**

BYLAWS

- Limited liability companies, **6:6**
- Real estate investment trusts (REIT), **10:17**

C

C CORPORATIONS

- As to corporations, generally, see index heading **CORPORATIONS**
- Estate planning for real estate, **25:30**
- Material participation, passive loss limitation rules, **11:7**

CAFETERIA PLANS

- Choice of business entity considerations, **6:19**

CANCELLATION OF INDEBTEDNESS INCOME

- Passive activities
 - characterization, **11:3**
 - disposition of interest, **11:11**
- Passive loss rules, **11:11**

CANCELLATION OR TERMINATION

- Indebtedness income. See index heading **CANCELLATION OF INDEBTEDNESS INCOME**
- Installment sales, **17:14**
- Partnerships, **8:47**

CANCELLATION OR TERMINATION

—Cont'd

- Real estate investment trusts (REIT), **10:3**
- S corporations, **9:3**

CAPITAL

- Partnerships, **8:40, 8:49**

CAPITAL ASSETS

- Defined, **3:4**
- Gain from sale or disposition, publicly traded partnership qualifying income, **11:13**
- Holding period, tax-free exchange, **2:7**
- Section 1221, **3:4**

CAPITAL CONTRIBUTIONS

- Condominium, **5:4**
- Cooperative housing corporations
 - determination, **5:12**
 - gross income, **5:13**
- Special assessments paid to condominium association, **5:5**
- Unrelated party sales treated as, **23:5**
- U.S. real property interest transferred to foreign corporation, gain recognition, **22:7**

CAPITAL EXPENDITURES

- Improvements to leased premises by tenant
 - generally, **21:18**
 - depreciation deduction allowed, **21:18**

CAPITAL GAINS

- Investor disposition of real property, **23:3**
- Ordinary income conversion to, prevention
 - collapsible corporations, **23:6**
 - collapsible partnerships, **23:7**
- Real estate investment trusts (REIT), foreign investors, **10:15**
- Sale of real estate, investor status, **6:18**

CAPITAL GAINS AND LOSSES

- Carry forward of losses, **2:1**
- Holding period, **2:1**
- Limitation on deduction of losses, **2:1**

CAPITAL GAINS RATES

- Installment sales, **17:8**

CAPITAL LOSSES

- Taxable disposition of passive activity, **11:11**

CAPITALIZATION

- Basis, **1:9**
- Construction of real estate, **12:8 to 12:12**
- Estate planning for real estate, **25:10**
- Operation of real estate, **12:14**

CARES ACT

- See index heading **CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES)**

INDEX

CARRY FORWARD

Losses, S corporation, **6:17**

CARRYING CHARGES

Basis, **1:9**

CARRYOVER BASIS TRANSFERS

Partnership interests, **11:13**

CASH BASIS TAXPAYERS

Landlords

deferral of rent payments, **21:2, 21:8**

related to tenant, **21:3, 21:9**

Prepaid rents, economic performance, **21:4, 21:7**

CASH ESCROW DEPOSITS

Installment sales, **17:9**

CASH METHOD OF ACCOUNTING

Generally, **13:9**

S corporations, **9:11**

CASH RECEIPTS AND DISBURSEMENTS METHOD OF ACCOUNTING

See index heading CASH METHOD OF ACCOUNTING

CASUALTY LOSSES

Principal residence

generally, **4:8**

insurance coverage, effect, **4:8**

timing of deduction, **4:8**

Property used in trade or business, amount of, **4:8**

CENTRALIZATION OF MANAGEMENT

Limited liability companies, **6:6**

Tax classification of entities, **6:15**

CERCLA

Estate planning for real estate, **25:32**

CERTIFICATE OF FORMATION OF LLC

Limited liability companies, **8:50**

CERTIFICATE OF INCORPORATION

Real estate investment trusts (REIT), **10:16**

CERTIFICATE OF LIMITED PARTNERSHIP

Amendment, **6:5**

Requirement, **6:5**

CERTIFICATION OF NONFOREIGN STATUS

Foreign corporation electing treatment as domestic corporation, FIRPTA withholding tax, **22:13**

CHANGE IN ACCOUNTING METHOD

Accounting methods

generally, **13:14**

CHANGE IN DEPRECIATION

Status of leasehold improvements, change of, **14:4**

CHANGE IN PARTNERSHIP INTERESTS

Distributive shares, change in partnership interests as affecting determination of, **8:33**

CHANGE IN TAXABLE YEAR

Accounting periods, **13:6**

CHARGEBACKS

Pension trusts, **27:11**

CHARITABLE CONTRIBUTIONS

Access to conservation easement, **26:16**

Amount of deduction of charitable contribution, **26:8**

Appraisal, **26:19**

Appreciated property, contributions of, **26:5**

Bargain sales, transfer of entire interests in, **26:11**

Basis

bargain sale, allocation of basis, **26:11**

deductibility of charitable contributions, **26:8**

CARES Act, **App A**

Code definition, **26:2**

Conservation easements, **26:16, 26:22**

Corporations, percentage limitations for deductibility of charitable contributions, **26:4**

Deductibility of charitable contributions

generally, **26:4 to 26:8**

amount of deduction, **26:8**

appreciated property, contributions of, **26:5**

basis, allocation of, **26:8**

corporations, percentage limitations for, **26:4**

“for the use of” organization, **26:7**

limitations, **26:4**

overall limitations on itemized deductions, **26:4**

partial interests in property, contributions of, **26:8**

percentage limitations, **26:4**

property contributions, **26:6**

qualified property contributions, **26:6**

reduction under Section 170(e)(1), **26:8**

Section 170(e), applicability of, **26:6**

timing of contributions, **26:4**

Definitions, **26:2**

Education, preservation for, **26:16**

Encumbered property, transfer of entire interests in, **26:10**

Entire interests in property, transfer of, **26:9 to 26:11**

Environment, preservation for, **26:16**

Exclusivity, conservation purposes, **26:16**

Gratuitous nature of charitable gifts, **26:2**

Historic property, preservation of, **26:16**

Limitations on deductibility of charitable contributions, **26:4**

Noncash charitable contributions (Form 8283), **26:21**

CHARITABLE CONTRIBUTIONS—Cont'd

- Nonrecognition of gain or loss, **26:3**
- Open space, preservation for, **26:16**
- Overall limitations on itemized deductions, **26:4**
- Partial interests in property, transfer of
 - generally, **26:12 to 26:16**
 - access, **26:16**
 - conservation easements, **26:16**
 - deductibility of charitable contributions, **26:8**
 - education, preservation for, **26:16**
 - environment, preservation for, **26:16**
 - exclusivity, **26:16**
 - historic property, preservation of, **26:16**
 - open space, preservation for, **26:16**
 - qualified organization, **26:16**
 - qualified real property interests, **26:16**
 - recordkeeping of taxpayer, **26:19**
 - recreation, preservation for, **26:16**
 - remainder interests, **26:15**
 - trust, interest which would be deductible in, **26:14**
 - undivided portions of entire interests, **26:13**
- Percentage limitations on deductibility of charitable contributions, **26:4**
- Property, contributions of, **26:6**
- Qualified appraisal, **26:19**
- Qualified property contributions, **26:6**
- Qualified real property interests, **26:16**
- Quid pro quo contributions, **26:20**
- Recordkeeping of taxpayer, **26:19**
- Recreation, preservation for, **26:16**
- Reduction under Section 170(e)(1), **26:8, 26:11**
- Remainder interests, transfer of, **26:15**
- Reporting requirements, **26:20**
- Return requirements, **26:19**
- Scope, **26:1**
- Substantiation requirements, **26:19**
- Timing of contributions, **26:4**
- Trust, interest which would be deductible in, **26:14**
- Undivided portions of entire interests, **26:13**
- Use of real property, donation of, **26:17**
- Valuation of contributed interests, **26:18**

CHARITABLE DEDUCTIONS

- Estate planning for real estate, **25:3, 25:31, 25:32**

CHARITABLE REMAINDER TRUSTS

- Estate planning for real estate, **25:19, 25:31, 25:32**

CHECKLISTS

- Deferred exchange, checklist of steps to accomplish, **18:25**

CHECK-THE-BOX REGULATIONS

- Partnerships, **8:11**

CLOSED-LOOP BIOMASS FACILITIES

- Investment tax credits, **15:5**

CLOSELY HELD C CORPORATIONS

- Change in status, passive losses allowable, **11:2**
- Defined, **11:2**
- Net active trade or business income, passive losses used to offset, **11:3**
- Passive loss limitation rules
 - application to, **11:2**
 - material participation in activity, **11:7**
 - real estate trade or business, **11:12**

CLOSELY HELD CORPORATIONS

- Choice of business entity considerations, **6:7**
- Real estate trade or business, **11:12**

COAL

- Investment tax credits, refined coal facilities, **15:5**

COLLAPSIBLE CORPORATIONS

- Generally, **23:6**
- Real estate developers, use by, **23:6**

COLLAPSIBLE PARTNERSHIPS

- Generally, **23:7**

COMBINATION LOAN AND INVESTMENT

- Creative financing considerations, **24:2**

COMMISSIONS

- Lease acquisition expenses
 - generally, **21:2**
 - capitalization and amortization, **21:9**

COMMODITIES DERIVATIVE FINANCIAL INSTRUMENT

- Capital asset, **3:4**

COMMON AREAS

- Condominiums, ownership, **5:3**
- Cooperatives, ownership of, **5:9**

COMMON CONTROL TEST

- Undertakings, passive loss limitation rules, **11:4**

COMMON ELEMENTS

- Condominiums, defined, **5:3**

COMPARABLE SALES APPROACH

- Estate planning for real estate, **25:10**

COMPENSATION FOR SERVICES

- Corporate managers, **6:7**
- Foreign persons, income not connected with conduct of trade or business in U.S., **22:2**
- Ordinary income characterization, **3:4**
- Partners, **6:4**
- Trustees, business trusts, **6:8**

COMPROMISE OR NEGOTIATION

Mortgages, cancellation or reduction of principal amount of mortgage debt, **20:5**

COMPUTATION

Amortization deduction, **14:26**
 Depreciation
 amortization deduction, **14:26**
 recapture, **14:17**
 Low-income housing credit, **16:21**
 Recapture, **14:17**
 Rehabilitation credit, **16:21**

COMPUTER SOFTWARE

Depreciation, **14:19, 14:27**

CONDEMNATION

Involuntary conversions, **19:4**

CONDOMINIUM CONVERSION

Nondealer status, **23:5**
 Unrelated party sale, dealer status avoided, **23:5**

CONDOMINIUM DEVELOPERS AND CONVERTERS

Unrelated party sales to avoid dealer status, **23:5**

CONDOMINIUM MANAGEMENT ASSOCIATIONS

Section 528 requirements, **5:7**

CONDOMINIUM UNIT OWNERS ASSOCIATIONS

Adverse tax effects, minimization, **5:8**
 Corporate tax treatment, **5:5**
 Partnership tax treatment, **5:5**
 Tax treatment generally, **5:5**
 Taxable as corporation, **5:5**
 Taxable as partnership, **5:5**
 Tax-exempt status, **5:6**
 Unincorporated association, **5:5**

CONDOMINIUMS

Assessments, tax treatment, **5:5**
 By-laws, **5:3**
 Common elements, defined, **5:3**
 Conversion from cooperative housing corporation, **5:14**
 Definition, **5:3**
 Excess assessments, **5:5**
 Exempt function income, **5:7**
 Homeowners' association, **5:7**
 Leasehold condominium, **5:3**
 Management, **5:3**
 Management associations, Section 528 requirements, **5:7**
 Ownership aspects, **5:3**
 Ownership or maintenance fee, **5:3**

CONDOMINIUMS—Cont'd

Principal residence
 deductions, **5:4**
 deferral of gain on sale, **5:4**
 qualified residence interest, **4:7**
 Rental of, business deductions, **5:4**
 Rental pool limited partnership, **5:8**
 Resort, **5:8**
 Section 183 application, **5:4**
 Section 280A application, **5:4**
 Special assessments, **5:5**
 Unit owners association. See index heading CONDOMINIUM UNIT OWNERS ASSOCIATION

CONDUCT OF TRADE OR BUSINESS WITHIN U.S.

Foreign persons, **22:2**

CONSENT OR APPROVAL

S corporations, consent to revocation, **9:16**

CONSERVATION EASEMENTS

Charitable contributions of real estate interests, **26:16, 26:22**
 Like-kind exchanges, **18:6**

CONSTANT RENTAL AMOUNT RULES

Accrued rent calculation under Section 467, **21:2, 21:8**

CONSTANT RENTAL APPROACH

Rent accruals, **21:2**

CONSTRUCTED PROPERTY

Holding period
 building, **2:3**
 land, **2:3**
 Section 1250 property, **2:10**

CONSTRUCTION

Collapsible corporation purposes, **23:6**
 Collapsible corporations, **23:6**

CONSTRUCTION, PROPERTY ACQUIRED BY

Basis, **1:2**

CONSTRUCTION OF REAL ESTATE

Accounting fees, capitalization of, **12:12**
 Attorneys' fees, capitalization of, **12:12**
 Capitalization of construction expenses, generally, **12:8 to 12:12**
 Insurance expenses, capitalization of, **12:13**
 Interest during construction period, capitalization of, **12:10**
 Legal fees, capitalization of, **12:12**
 Loan fees, capitalization of, **12:9**
 Low-income housing. See index heading LOW-INCOME HOUSING CREDIT

CONSTRUCTION OF REAL ESTATE—Cont'd

Qualified production activities income deduction, **12:7**

Rehabilitation. See index heading **REHABILITATION CREDIT**

Taxes on real property, capitalization of, **12:11**

CONSTRUCTIVE DISTRIBUTIONS

See also index heading **CURRENT DISTRIBUTIONS**

CONSTRUCTIVE DIVIDENDS

Recharacterization of dividends, **6:16**

CONTAMINATED LAND

Operation of real estate, **12:21**

CONTINGENT DEBT

Basis, **1:2, 20:2**

CONTINGENT INTEREST

Operation of real estate, **12:24**

Pension trusts, **27:5**

CONTINGENT PAYMENT SALES

Installment sales, **17:11, 17:12**

CONTINUITY OF LIFE

Business trusts, **6:8**

Corporations, **6:7**

Limited partnership, **6:5**

Partnership, **6:4**

Proprietorship, **6:3**

Tax classification of entities, **6:15**

CONTINUOUS AND SUBSTANTIAL SALES ACTIVITIES

Dealer status determined, **23:3**

CONTRIBUTIONS

Partners right to return of, **6:4**

Partnerships, **8:3**

CONTROLLED CORPORATIONS

Lease of property to by shareholder, disguised dividend, **21:5, 21:10**

CONTROLLED ENTITIES

Foreign governments, FIRPTA withholding certificates, **22:10**

Installment sales, **17:21**

CONTROLLED ORGANIZATIONS

Pension trusts, **27:12**

CONTROLLED PARTNERSHIPS

Losses on sales or exchanges with respect to, **8:23**

CONTROLLING INTEREST

U.S. real property holding corporations, determination, **22:6**

CONVERSION FROM COOPERATIVE HOUSING CORPORATION TO CONDOMINIUM

Recognition of gain or loss, **5:14**

CONVERSION OF PROPERTY FROM PERSONAL TO BUSINESS USE

Basis, **1:20**

Cooperative, depreciable basis, **5:10**

CONVERSION OF RESIDENCE TO OR FROM RENTAL USE

Section 280A rules, application, **4:13**

CONVERSIONS

Basis, **1:5**

Involuntary conversions. See index heading **INVOLUNTARY CONVERSIONS**

Limited liability companies

elective conversion without a change in entity, treatment of, **8:53**

Partnership interests with same partnership, **8:43**

Partnership to limited liability company, nonrecognition treatment, **6:6**

CONVERTIBLE LOANS

Creative financing considerations, **24:2, 24:5**

COOPERATIVE HOUSING CORPORATIONS

Allocation of expenses between membership and nonmembership services, **5:13**

Capital contributions

determination, **5:12**

taxability, **5:13**

Common facilities, **5:9**

Conversion to condominium form, **5:14**

Deductions

furnishing services to members, **5:13**

real property taxes, **5:10**

Earnings and profits, distribution to stockholders, **5:12**

Gross income, determination, **5:12**

Interest, **5:10**

Investor status, **6:18**

Lease of land and building, **5:10**

Liquidation

conversion to condominium, **5:14**

distributions, **5:12**

Non tenant stockholders, income from, effect of, **5:10**

Ownership form, **5:9**

Preferred stock, **5:12**

Qualification requirements, **5:12**

Sale of units, gain or loss recognition, **5:10**

Stock, classes, **5:12**

Surplus, distribution to stockholders, **5:12**

Taxable as corporation, **5:13**

COOPERATIVE HOUSING CORPORATIONS

—Cont'd

- Tenant-stockholder
 - deductions, **5:10**
 - qualification as, **5:11**

COOPERATIVE UNITS

- See also index heading COOPERATIVE HOUSING CORPORATIONS
- Conversion from personal to business use, **5:10**
- Depreciation, business use of, **5:10**
- Exclusion of gain on sale, **5:10**
- Promotional discounts, **5:11**
- Purchase of shares, **5:13**
- Rollover of gain on sale, **5:10**

COOPERATIVES

- See also index heading COOPERATIVE HOUSING CORPORATIONS
- Net operating loss carrybacks, **5:13**
- Ownership form, **5:9**
- Sale, gain or loss recognition, **5:10**
- Tenant-stockholders, deductions, **5:10**

COOWNERSHIP

- Joint tenants. See index heading JOINT TENANTS
- Partnerships, **8:9**
- Tenants by entirety. See index heading TENANTS BY ENTIRETY
- Tenants in common. See index heading TENANTS IN COMMON

CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES)

- Charitable contributions, **App A**
- Corporations, **App A**
- Employee retention credit, **App A**
- Loan forgiveness, **App A**
- Net operating loss, **App A**
- Payroll taxes, **App A**
- Qualified improvement property, **App A**
- Recovery rebates, **App A**
- Retirement, **App A**
- Student loans, **App A**
- Tax provisions, **App A**

CORPORATE ALTERNATIVE MINIMUM TAX

- Foreign corporations, FIRPTA gains, **22:3**

CORPORATE DISTRIBUTIONS

- Holding period, **2:9**
- Liquidating, cooperative housing corporation, **5:12**
- Nonliquidating
 - corporate shareholder, holding period, **2:9**
 - noncorporate shareholder, holding period, **2:9**
- Redemption of stock, holding period, **2:9**
- Stockholders, holding period, **2:9**

CORPORATE FORMATIONS

- Holding period of property received by corporation, **2:9**
- Holding period of stock received in exchange for property, **2:9**

CORPORATE LIQUIDATIONS

- Property received by stockholder, holding period, **2:9**
- Section 332 holding period for property received by shareholder, **2:9**
- Section 333, holding period, **2:9**

CORPORATE NOMINEE

- Usury limitation avoidance, **6:14**

CORPORATE STOCK

- Collapsible corporations, gain on sale treatment, **23:6**
- Equity financing
 - issuance of new stock
 - legal restrictions, **6:11**
 - voluntary restrictions, **6:13**
- Regularly trade, interest is not U.S. real property interest, **22:6**

CORPORATIONS

- After-tax earnings accumulation, avoidance of double taxation, **6:16**
- Basis
 - contributed to corporation, **1:19**
 - distributed by corporation, **1:18**
- CARES Act, **App A**
- Closely held corporations. See index heading CLOSELY HELD CORPORATIONS
- Collapsible, ordinary income on disposition of stock, **23:6**
- Continuity of life, **6:7**
- Contributions of property, holding period, **2:9**
- Cooperative housing, **5:9**
- Deductions. See index heading DEDUCTIONS
- Directors' responsibilities, **6:7**
- Dividends
 - portfolio income classification, **11:8**
 - tax treatment, **6:7**
- Domestic, FIRPTA applicability, **22:7**
- Double taxation of income, **6:16**
- Equity financing
 - legal restrictions, **6:11**
 - voluntary restrictions, **6:13**
- Excessive salaries, **6:16**
- Governance, **6:13**
- Improvements to tract of real property, Section 1237 inapplicable, **23:4**
- Installment sales, **17:18**
- Like-kind exchanges, **18:5**
- Limited liability, **6:7**

CORPORATIONS—Cont'd

- Loans to corporations, usury limitations avoided, **6:14**
- Management, **6:7**
- Nominees, usury limitations avoidance, **6:14**
- Officers, responsibilities, **6:7**
- Operating losses, deductibility, **6:17**
- Percentage limitations for deductibility of charitable contributions, **26:4**
- Publicly traded partnerships taxed as, **11:13**
- S corporations. See index heading S CORPORATIONS
- Shareholder's lease of property to disguised dividends, **21:5, 21:10**
 - payment received by lessee shareholder is ordinary income, **21:13**
- Stock issuance, **6:11**
- Stock transfers, **6:7**
- Stockholders. See index heading STOCKHOLDERS
- Tax classification, **6:15**
- Taxation, **6:7**
- Termination, **6:7**
- Transfer of interest, **6:7**
- Unrelated party sale, dealer status avoided, **23:5**
- U.S. real property holding corporations
 - interest in treated as U.S. real property interest, **22:6**
 - property distributed to foreign person holding interest, withholding tax requirement, **22:12**

COST OF PROPERTY

- Acquisition of real estate, **12:3**
- Basis. See index heading BASIS
- Involuntary conversions, **19:5**
- Operation of real estate, **12:15, 12:16, 12:18, 12:21 to 12:24**

CREATIVE FINANCING CONSIDERATIONS

- Appraisal kicker loan, **24:2**
- Combination loan and investment, **24:2**
- Convertible loans, **24:2, 24:5**
- Equity kicker loan, **24:2**
- Financing transaction, sale and leaseback treated as, **24:6**
- Intent of parties, **24:4**
- Interest kicker loan, **24:2**
- Interest rate swap, **24:2**
- Judicial tests for resolving debt/equity issue, **24:4**
- Like-kind exchange, sale and leaseback treated as, **24:6**
- Participating loans, **24:5**
- Price-level adjustment loans, **24:2**
- Put and call loan, **24:2**
- Resolution of lender/owner issue, **24:3**
- Sale-leasebacks, **24:6**
- Scope of chapter, **24:1**
- Shared appreciation loans, **24:5**

CREATIVE FINANCING CONSIDERATIONS—Cont'd

- Statutory tests for resolving debt/equity issue, **24:4**
- Synthetic leases, **24:7**
- Tests for resolving debt/equity issue, **24:4**
- Thin capitalization, **24:4**
- Variable rate mortgage, **24:2**
- Variations of creative financing, **24:2**

CREDITORS

- Foreign persons, FIRPTA not applicable to collection of principal and interest, **22:6**

CREDITS

- Investment tax credit. See index heading INVESTMENT TAX CREDIT
- Low-income housing. See index heading LOW-INCOME HOUSING CREDIT
- New markets tax credit. See index heading NEW MARKETS TAX CREDIT
- Passive activities, **11:3**
- Rehabilitation. See index heading REHABILITATION CREDIT

D

DAY CARE

- Business use of residence, **4:14**

DEALER PROPERTY

- Generally, **3:5**
- Like-kind exchanges, **18:4**

DEALER/BROKERS

- Property held for investment, **23:3**

DEALERS

- Character of gain or loss on dispositions of property, **3:5**
- Collapsible partnerships, **23:7**
- Defined, **3:5**
- Developers and subdividers, **23:3**
- Factors in determining status as, **23:3**
- Holding period, **23:3**
- Improvements, **23:4**
- Investor treatment of, **6:18**
- Investors distinguished, primarily test, **23:3**
- Predecessor-in-interest, status determined by relationship to, **23:4**
- Sale of real property held for sale to customers in ordinary course of business, ordinary income or loss, **23:2**
- Section 1237, relief from dealer status on certain sales of real property, **23:4**
- Status avoided, unrelated party sale, **23:5**
- Status of shareholders or partners immaterial, **6:18**

DEATH

- Installment sales, **17:20**
- Limited partner, **6:5**
- Partner, **6:4**
- Proprietor, transfer of business, **6:3**
- Transfers in contemplation of, basis, **1:4**

DEBT

- Basis, **1:6**
- Compromise or collection, sale or exchange, **3:4**
- Defined, **6:11**
- Excessive, reclassification as equity, **6:16**
- Obligations, interest on, portfolio income, **11:8**
- Qualified residence as security, interest deduction, **4:7**

DEBT INVESTMENT IN U.S. REAL ESTATE

- Foreign persons, **22:15**

DEBT-FINANCED DISTRIBUTIONS

- Partnerships, **8:24**

DEBT-FINANCED PROPERTY

- Pension trusts, **27:11**

DEDUCTIONS

- Acquisition indebtedness interest, **4:7**
- Amount of deduction, **26:8**
- Appreciated property, contributions of, **26:5**
- Basis, allocation of, **26:8**
- Business use of principal residence
 - day care use, **4:14**
 - home office, **4:11**
 - home storage, **4:12**
 - rental use, **4:13**
 - Section 280A, **4:10**
- Capital assets, **3:4**
- Capital losses, limitation, **2:1**
- Charitable contributions of real estate interests
 - generally, **26:4 to 26:8**
 - amount of deduction, **26:8**
 - appreciated property, contributions of, **26:5**
 - basis, allocation of, **26:8**
 - corporations, percentage limitations for, **26:4**
 - “for the use of” organization, **26:7**
 - limitations, **26:4**
 - overall limitations on itemized deductions, **26:4**
 - partial interests in property, contributions of, **26:8**
 - percentage limitations, **26:4**
 - property contributions, **26:6**
 - qualified property contributions, **26:6**
 - reduction under Section 170(e)(1), **26:8**
 - Section 170(e), applicability of, **26:6**
 - timing of contributions, **26:4**
- Condominiums, business use, **5:4**

DEDUCTIONS—Cont’d

- Cooperatives
 - generally, **5:10**
 - furnishing services to members, **5:13**
- Corporations
 - percentage limitations for, **26:4**
- Exempt function income, **5:7**
- “For the use of” organization, **26:7**
- Foreign persons, connected with conduct of trade or business in U.S., income offset by, **22:2**
- Home office, **4:11**
- Home storage of inventory
 - generally, **4:12**
 - average loan balance, **4:7**
- Limitations, **4:10, 26:4**
- Moving expenses, principal residence, **4:4**
- Operation of real estate. See index heading OPERATION OF REAL ESTATE
- Partial interests in property, contributions of, **26:8**
- Pension trusts, deduction to reach UBTI, **27:9**
- Percentage limitations, **26:4**
- Points paid on mortgage
 - principal residence, **4:3**
- Property contributions, **26:6**
- Qualified production activities income deduction, **12:7**
- Qualified property contributions, **26:6**
- Real estate taxes paid by tenant, **21:15**
- Reduction under Section 170(e)(1), **26:8**
- Rent, gift/leasebacks, **21:7, 21:12**
- Section 170(e), applicability of, **26:6**
- Security by landlord, **21:20**
- Settlement costs, purchase of principal residence, **4:3**
- Tenant-stockholder’s, cooperatives, **5:10**
- Timing of contributions, **26:4**

DEED IN LIEU OF FORECLOSURE

- U.S. real property interest received, FIRPTA withholding tax, **22:9**

DEEMED DISTRIBUTIONS OF MONEY

- Partnerships, **8:35**

DEEMED SALES OF PROPERTY TO PARTNER

- Partnerships, **8:41**

DEEMED TERMINATION

- Partnerships, **8:47**

DEFERRAL OF RENTAL PAYMENTS

- Tax benefits derived, **21:2**

DEFERRED LIKE-KIND EXCHANGES

- Like-kind exchanges, **18:12**

DEFERRED MORTGAGES

- Sale/leasebacks, **21:8, 21:13**

DEFERRED PAYMENT METHOD

Installment sales, **17:12**

DEFERRED RENT ACCRUAL RULES

Rent allocation under rental agreement, **21:2, 21:8**

DEFINITIONS

Activity, **11:5**
 Agents, FIRPTA, **22:11**
 Applicable percentage, **2:10**
 Capital assets, **23:3**
 Casualty loss, **4:8**
 Charitable contributions of real estate interests, **26:2**
 Closely held C corporations, **11:2**
 Collapsible corporations, **23:6**
 Common elements, **5:3**
 Condominiums, **5:3**
 Debt, **6:11**
 Differently treated items, Section 280A, **4:10**
 Employee-owners, passive activity loss limitations, **11:2**
 Equity, **6:11**
 Exempt function income, **5:7**
 Foreign corporations, **22:5**
 Home equity indebtedness, **4:7**
 Installment sales, **17:9, 17:10**
 Interest in real property, **22:6**
 Interest paid by U.S. trade or business, **22:18**
 Involuntary conversions, **19:3**
 Like-kind exchanges, **18:6 to 18:8**
 Long-term capital gains or losses, **2:1**
 Low-income community, **16:26**
 Nonresident alien individuals, **22:5**
 Operating losses, **6:17**
 Partnership, **6:4**
 Partnerships, **8:1, 8:6, 8:34**
 Passive activity, **11:5**
 Passive activity credit, **11:3**
 Passive activity loss, **11:3**
 Personal service corporation, passive activity loss limitations, **11:2**
 Primarily, **23:2**
 Principal residence, **4:7**
 Property used in a trade or business, **2:1**
 Proportionate share, **5:10**
 Proprietorship, **6:3**
 Publicly traded partnership, **11:13**
 Qualified active low-income community business, **16:26**
 Qualified production activities income deduction, **12:7**
 Qualified residence interest, **4:7**
 Qualified residents, **22:19**
 Real property rents, **11:13**

DEFINITIONS—Cont'd

Real property tax, **4:6**
 Real property trade or business, **11:12**
 Rental activity, **11:6**
 Section 467 rental agreements, **21:2, 21:8**
 Security deposits, **21:20**
 Short-term capital gains or losses, **2:1**
 Significant participation passive activity, **11:10**
 Theft loss, **4:8**
 Tract of real property, **23:4**
 U.S. net equity, **22:17**
 Used in a trade or business, **3:6**
 Value-enhancing services, **11:10**

DEMOLITION

Acquisition of real estate, **12:4**
 Depreciation, **14:6**
 Lease cancellation pursuant to generally, **21:21**
 capitalization of, **21:13**

DEPRECIABLE AMOUNT

Depreciation, **14:6**

DEPRECIABLE BASIS

Conversion of cooperative from personal to business use, **5:10**

DEPRECIABLE PROPERTY

Section 1250, holding period rules, **2:10**

DEPRECIABLE TANGIBLE PERSONAL PROPERTY

Like-kind exchanges, **18:6**

DEPRECIATION

Accelerated cost recovery system
 time for commencing depreciation, **14:5**
 Amortization of intangible assets, **14:26**
 Antichurning rules, **14:10**
 Anti-churning rules, **14:26**
 Bonus for qualified property, modified accelerated cost recovery system, **14:8**
 Burdens and benefits of ownership, **14:2**
 Change or modification
 status of leasehold improvements, change of, **14:4**
 Computation
 amortization deduction, **14:26**
 recapture, **14:17**
 Computer software costs, treatment of, **14:19, 14:27**
 Condominium, deduction, **5:4**
 Cooperative, deduction, **5:10**
 Demolition, property acquired with intent of, **14:6**
 Depreciable amount, **14:6**
 Depreciable property, generally, **14:3**
 Dispositions, recapture, **14:16**

DEPRECIATION—Cont'd

- Disqualified lease, tax-exempt entity leasing, **14:21**
- Election of general asset accounts, modified accelerated cost recovery system, **14:9**
- Exceptions, tax-exempt entity leasing, **14:22**
- Exemptions, recapture, **14:16**
- Extraordinary obsolescence, **14:14**
- Home office, special write-offs, **14:13**
- Improvements to leased premises by tenant, **21:18**
- Investment tax credit, **14:25**
- Joint tenants, **14:2**
- Landlord, leasehold improvements constructed by, **14:4**
- Lease, purchase subject to, **14:2**
- Leasehold improvements, changing status of, **14:4**
- Leasehold interest by tenant, recapture of capital gain, **21:13, 21:21**
- Like-kind exchanges, **14:7, 14:11**
- Low income housing defined, **14:12**
- Moderate income housing defined, **14:12**
- Modified accelerated cost recovery system
 - antichurning rules, **14:10**
 - bonus for qualified property, **14:8**
 - election of general asset accounts, **14:9**
 - like-kind exchanges, **14:7, 14:11**
 - nontaxable transactions, **14:11**
 - personal property MACRS depreciation of, **14:8**
 - real property MACRS depreciation of, **14:7**
 - Section 351, **14:11**
 - Section 361, **14:11**
 - Section 721, **14:11**
 - Section 731, **14:11**
 - Section 1031, **14:11**
- Nonshareholder, property acquired by corporation as contribution by, **14:6**
- Nontaxable transactions, **14:11**
- Obsolescence, **14:14**
- Overview, **14:1**
- Parties entitled to deduct depreciation, **14:2**
- Partners and partnerships
 - amortization of intangibles, **14:26**
 - parties entitled to deduct depreciation, **14:2**
 - tax-exempt entity leasing, **14:23**
- Personal property
 - modified accelerated cost recovery system, **14:8**
 - tax-exempt entity leasing, **14:24**
- Purpose for which property held, **14:3**
- Recapture
 - computing recapture, **14:17**
 - dispositions, **14:16**
 - exemptions, **14:16**

DEPRECIATION—Cont'd

- Recapture—Cont'd
 - installment sales, **17:6**
 - overview, **14:15**
 - partnerships, **8:30**
 - post-1986 recapture, **14:18**
 - Section 1245 property, **3:6**
 - Section 1250 property, holding period concept, **2:10**
- Rehabilitation expenditures, special write-offs, **14:12**
- Revocation of special write-off election, **14:12**
- Section 351, **14:11**
- Section 361, **14:11**
- Section 721, **14:11**
- Section 731, **14:11**
- Section 1031, **14:11**
- Service contracts, tax-exempt entity leasing, **14:23**
- Special write-offs, **14:12, 14:13**
- Split interests, **14:2**
- Tax-exempt entity leasing
 - generally, **14:19**
 - disqualified lease, **14:21**
 - exceptions, **14:22**
 - investment tax credit, **14:25**
 - partnerships, **14:23**
 - personal property, **14:24**
 - service contracts, **14:23**
 - tax exempt entities, **14:20**
- Tenant, leasehold improvements constructed by, **14:4**
- Tenants by entirety, **14:2**
- Tenants in common, **14:2**
- Time for commencing depreciation, **14:5**
- Trusts and estates, **14:2**

DEPRECIATION ELECTION

- Partnerships, **8:12**

DEPRECIATION RECAPTURE

- See index heading **DEPRECIATION**

DESTRUCTION

- Involuntary conversions, **19:4**

DEVELOPERS

- Collapsible corporations, **23:6**
- Collapsible partnerships, **23:7**
- Condominium conversions, **23:5**
- Purpose for acquiring property, **23:3**
- Trade or business determination, **23:3**

DEVELOPERS AND SUBDIVIDERS

- Ordinary income on sale of property, **23:3**

DEVELOPMENT AND IMPROVEMENT ACTIVITIES

Primarily test, dealer status, **23:3**

DIRECT SKIPS

Generation-skipping tax, **25:5**

DIRECTORS, CORPORATE

Powers, **6:8**

DISAGGREGATION ELECTION

Trade or business activities, passive loss limitation rules, **11:4**

DISAPPEARING DEBT

Basis, **1:2**

DISCHARGE OF INDEBTEDNESS INCOME

See index heading CANCELLATION OF INDEBTEDNESS INCOME

DISCOUNT POINTS

Deductibility, **4:3**

DISCOUNTS

Estate planning for real estate, **25:11**

DISGUISED DIVIDENDS

Double taxation avoidance, **6:16**

DISGUISED SALE OF PROPERTY

Partnerships, **8:24**

DISPOSITION OF PASSIVE ACTIVITY

Fully taxable transaction, **11:11**

Tax-free exchange, suspended passive losses and credits, **11:3**

DISPOSITION OF PROPERTY USED IN ONE OR MORE ACTIVITIES

Allocation of amount realized, **11:11**

DISPROPORTIONATE DISTRIBUTIONS

Partnerships, Section 751 property, **23:7**

DISQUALIFIED LEASEBACKS

Constant rental amount rules applicable, **21:2, 21:8**

DISSOLUTION

Business trusts, **6:8**

General partnership, **6:4**

Limited liability companies, **6:6**

Limited partnership, **6:5**

DISTANCE AND TIME REQUIREMENTS

Moving expenses, **4:4**

DISTRIBUTED PROPERTY

Corporations, holding period to shareholder, **2:9**

Partnerships, holding period to partner, **2:8**

DISTRIBUTIONS

Capital as material income-producing factor, **8:40**

DISTRIBUTIONS—Cont'd

Corporate distributions. See also index heading
CORPORATE DISTRIBUTIONS

Current distributions, treatment of, **8:34, 8:36**

Deemed distributions of money, **8:35**

Deemed sales of property to partner, **8:41**

Definitions, **8:34**

“Hot assets,” treatment of, **8:38**

Installment sales, **17:14**

Liquidating distributions, treatment of, **8:37 to 8:39**

Marketable securities, distributions of, **8:36**

Mixing bowl distributions, **8:39**

Money, deemed distributions of, **8:35**

Operations of partnerships, **8:25 to 8:29**

Overview, **8:34**

Partnerships

generally, **8:34 to 8:41**

capital as material income-producing factor, **8:40**

current distributions, treatment of, **8:34, 8:36**

deemed distributions of money, **8:35**

deemed sales of property to partner, **8:41**

definitions, **8:34**

“hot assets,” treatment of, **8:38**

liquidating distributions, treatment of, **8:37 to 8:39**

marketable securities, distributions of, **8:36**

mixing bowl distributions, **8:39**

money, deemed distributions of, **8:35**

operations of partnerships, **8:25 to 8:29**

overview, **8:34**

planning using partnerships, **8:49**

property, distributions of, **8:36**

retiring partners, distributions to, **8:40**

tax advantages, **8:4**

Planning using partnerships, **8:49**

Property, distributions of, **8:36**

Real estate investment trusts (REIT), **10:12**

Retiring partners, distributions to, **8:40**

S corporations, **9:7, 9:8**

Tax advantages, **8:4**

DIVIDEND EQUIVALENT AMOUNT

Foreign corporations, branch profits tax, **22:17**

DIVIDENDS

Business trusts, **6:8**

Corporations, **6:7**

Disguised, excessive rents, **21:5, 21:10**

Foreign persons, income not connected with
conduct of trade or business in U.S., **22:2**

Nonliquidating distribution of property, holding
period, **2:9**

Pension trusts, **27:5**

Portfolio traded partnerships classified as
corporations, **11:13**

DIVIDENDS—Cont'd

- Qualifying income, publicly traded partnerships, **11:13**
- Real estate investment trusts
 - election to treat income as connected with conduct of trade or business in U.S. not applicable, **22:2**
 - portfolio income classification, **11:10**
- Regulated investment companies, portfolio income classification, **11:10**
- Stock redemption treated as, holding period, **2:9**
- U.S. real property holding company, withholding tax, **22:12**

DIVISION OF A PARTNERSHIP

- Partnerships, **8:47**

DIVORCE

- Installment sales, **17:20**

DOMESTIC CORPORATIONS

- Interest in foreign corporation held by, **22:6**
- U.S. real property holding companies, distribution to foreign person holding interest in, withholding tax requirement, **22:12**
- U.S. real property interests distributed to foreign persons, FIRPTA applicability, **22:7**

DONEE AS PARTNER

- Partnerships, **8:49**

DONOR-TENANT

- Gift/leaseback, rent deduction, **21:7**
- Gift/leaseback, rent reduction, **21:12**

DOUBLE TAXATION

- Business entities, **6:16**
- Disguised dividends, **6:16**
- Partnerships, **8:2**

DOWN PAYMENT

- Deductible points, **4:3**

DWELLING UNITS

- Attribution rules under Section 280A, **4:13**
- Defined under Section 280A, **4:10**
- Maintenance or repair use, **4:13**
- Personal use of, **4:13**
- Rental of, deduction of expenses, **4:13**
- Residence use, **4:13**

E

EARNINGS AND PROFITS

- Distribution, cooperative housing corporation, **5:12**
- Foreign corporations, branch profits tax, **22:17**

EARNINGS STRIPPING RULES

- Debt investment in U.S. real estate, **22:15**

ECONOMIC PERFORMANCE

- Tax shelters, advance rent, **21:4, 21:7**

EDUCATION

- Charitable contributions of real estate interests, **26:16**

EDUCATIONAL EXPENSES

- Qualified indebtedness, **4:7**

EFFECTIVELY CONNECTED EARNINGS AND PROFITS

- Foreign corporations, branch profits tax, **22:17**

ELECTING 1987 PARTNERSHIPS

- Publicly traded partnerships, **11:13**

ELECTING OUT

- Installment sales, **17:4**

ELECTING SMALL BUSINESS CORPORATIONS

- See index heading **S CORPORATIONS**

ELECTIONS

- Accounting periods, **13:4**
- Basis
 - capitalize, generally, **1:9**
 - period costs, optional capitalization of, **1:10**
 - purchase option, **1:2**
- Capitalize, generally, **1:9**
- Depreciation, election of general asset accounts, modified accelerated cost recovery system, **14:9**
- Disaggregation of activities, passive loss limitation rules, **11:4**
- Exclusion of gain from sale or exchange of principal residence, **4:18**
- Foreign corporations holding U.S. real property interest, treatment as domestic corporation, **22:7**
- Foreign person's income from U.S. real estate activities taxed as connected with conduct of trade or business in U.S., **22:2**
- Home mortgage loans, interest deductions, **4:7**
- Involuntary conversions, **19:7**
- Partnerships
 - legal ramifications of formation, **8:10**
 - tax ramifications of formation, **8:12**
- Period costs, optional capitalization of, **1:10**
- Purchase option, **1:2**
- Real estate investment trusts (REIT), **10:3**
- Rental real estate activities treated as single activity, real property trades or businesses, **11:12**
- Rental real estate interests treated as single activity, **11:12**
- S corporations, **9:3**
- Section 165(i) deduction of casualty loss, **4:8**
- Section 333, **2:9**
- Tax status of entity, **6:15**

ELECTIONS—Cont'd

Tax-free status for condominium management associations under Section 528, **5:7**

EMPLOYEE BENEFIT PLANS

Choice of business entity considerations, **6:19**

EMPLOYEE-OWNERS

Personal service corporations, defined, passive loss rules, **11:2**

EMPLOYEES

Home office deduction allowance, **4:11**

Lease of part of residence to employer, **4:11**

Moving expenses, **4:4**

Retention credit, CARES Act, **App A**

EMPLOYMENT RIGHTS

Close corporations, **6:7**

ENCUMBERED PROPERTY

Charitable contributions of real estate interests, **26:10**

Partnerships, **8:24**

ENERGY CREDIT

Investment tax credits. See index heading INVESTMENT TAX CREDITS

ENPI TAX

See index heading EXCESS NET PASSIVE INCOME TAX

ENVIRONMENT, PRESERVATION FOR

Charitable contributions of real estate interests, **26:16**

ENVIRONMENTAL CLEANUP COSTS

Operation of real estate, **12:21**

ENVIRONMENTAL HAZARDS

Limited liability companies, **6:6**

EQUITY

Financing of business entities

legal restrictions, **6:11**

voluntary restrictions, **6:13**

Interest acquired under lease, recharacterization as sale, **21:6, 21:11**

Interest retained by donor, gift/leasebacks, **21:7, 21:12**

EQUITY FINANCING

Corporation, **6:7**

Issuance of new stock, **6:11**

Transfer, close corporations, **6:7**

EQUITY KICKER

Debt investment in U.S. real estate, FIRPTA avoidance, **22:15**

EQUITY KICKER LOAN

Creative financing considerations, **24:2**

EQUITY PARTICIPATION AGREEMENTS

Residence rentals, **21:5**

ESCROW DEPOSITS

Deductible points, **4:3**

Installment sales, **17:9**

Like-kind exchanges, **18:12**

ESCROW FEES

Moving expenses, **4:4**

ESTABLISHED SECURITIES MARKET

Publicly traded partnership interests, **11:13**

ESTATE PLANNING FOR REAL ESTATE

Annual exclusion from gift tax, **25:3**

Asset protection, planning for, **25:40**

Basis

generally, **25:7**

estate, basis of property distributed from, **25:8**

gift, basis acquired by, **25:8**

partnership, basis of property distributed from, **25:8**

present law, general basis rules under, **25:8**

trust, basis of property distributed by, **25:8**

“Blockage discount,” **25:11**

Buy-sell arrangements, **25:22**

C corporations, sales to grantor trusts, **25:30**

Capitalization of rental income, **25:10**

CERCLA, fiduciary liability under, **25:32**

Charitable deductions, **25:3, 25:31, 25:32**

Charitable remainder trusts, **25:19, 25:31, 25:32**

Comparable sales approach, valuation techniques, **25:10**

Direct skips of generation-skipping tax, **25:5**

Discounts, valuation techniques, **25:11**

Drafting partnership agreement, **25:13**

Entities to achieve tax reduction, **25:11**

Estate tax

federal estate tax highlights, **25:4**

freezing values for estate tax purposes, below
statutory relief. Estate tax statutory relief, planning for, below

valuation techniques. Valuation techniques, reducing estate and gift taxes through, below

Estate tax statutory relief, planning for

generally, **25:36 to 25:40**

Section 2032A, **25:37**

Section 6161, **25:39**

Section 6166, **25:38**

Exclusions from gift tax, **25:3**

Fair market value, valuation techniques, **25:10**

Family limited partnership, structuring of, **25:13**

Federal estate tax highlights, **25:4**

Federal gift tax highlights, **25:3**

Fiduciary liability under CERCLA, **25:32**

ESTATE PLANNING FOR REAL ESTATE

—Cont'd

- Freezing values for estate tax purposes
 - generally, **25:23 to 25:27**
 - installment sales, **25:25**
 - intrafamily sales of property, **25:24**
 - private annuity sales, **25:27**
 - self-cancelling installment notes, **25:26**
- Generation-skipping transfer tax, **25:5**
- Gift, basis acquired by, **25:8**
- Gift tax
 - credit, **25:3**
- Goals for estate planning
- Grantor retained annuity trusts and grantor
 - retained unitrusts, generally, **25:18 to 25:22**
- Highest and best use, valuation techniques, **25:10**
- Installment sales, **25:25**
- Intrafamily sales of property, **25:24**
- Life insurance, **25:34, 25:35**
- Life insurance, avoidance of estate taxation of, **25:34, 25:35**
- Lifetime QTIP trusts, use of, **25:40**
- Limited liability companies, use of, **25:14**
- Liquidity, planning for, **25:33**
- Marital deduction, **25:3, 25:4**
- Medical exclusion from gift tax, **25:3**
- Overview, **25:2**
- Partnerships
 - basis of property distributed from, **25:8**
 - drafting partnership agreement, **25:13**
 - sales to grantor trusts, **25:30**
- Personal residence trusts, **25:17**
- Preferred distributions, **25:21**
- Premium adjustments, valuation techniques, **25:11**
- Private annuity sales, **25:27**
- Puts and calls, **25:21**
- QTIP trusts, use of, **25:40**
- Qualified subchapter S trust (QSST), **25:15**
- Real estate valuation, generally, **25:10**
- Recapitalizations, **25:30**
- Removal of appreciation from estate, **25:6**
- Replacement cost, valuation techniques, **25:10**
- Reproduction cost, valuation techniques, reducing estate and gift taxes, **25:10**
- Retained interests
 - gifted property, **25:6**
 - grantor retained annuity trusts and grantor
 - retained unitrusts, generally, **25:18 to 25:22**
 - reductions in valuation through, **25:16**
- Revaluation of prior taxable gifts, **25:6**
- S corporations, **25:15, 25:30**
- Sales to grantor trusts
 - generally, **25:28 to 25:30**

ESTATE PLANNING FOR REAL ESTATE

—Cont'd

- Sales to grantor trusts—Cont'd
 - C corporations, **25:30**
 - partnerships, **25:30**
 - recapitalizations, **25:30**
 - S corporations, **25:30**
 - split purchases, **25:29**
 - Scope of chapter, **25:1**
 - Self-cancelling installment notes, **25:26**
 - Spendthrift trusts, use of, **25:40**
 - Split dollar life insurance arrangements, **25:35**
 - Split purchases, sales to grantor trusts, **25:29**
 - Taxable distributions, **25:5**
 - Taxable terminations, **25:5**
 - Trusts
 - basis of property distributed by trust, **25:8**
 - sales to grantor trusts
 - generally, **25:28 to 25:30**
 - C corporations, **25:30**
 - partnerships, **25:30**
 - recapitalizations, **25:30**
 - S corporations, **25:30**
 - split purchases, **25:29**
 - Tuition exclusion from gift tax, **25:3**
 - Valuation techniques, reducing estate and gift taxes through
 - generally, **25:9 to 25:15**
 - “blockage discount, **25:11**
 - capitalization of rental income, **25:10**
 - comparable sales approach, **25:10**
 - discounts, **25:11**
 - drafting partnership agreement, **25:13**
 - entities to achieve reduction, use of, **25:11**
 - fair market value, **25:10**
 - family limited partnerships, use of, **25:13**
 - highest and best use, **25:10**
 - limited liability companies, use of, **25:14**
 - outright gifts of real property, **25:12**
 - premium adjustments, **25:11**
 - qualified subchapter S trust (QSST), **25:15**
 - real estate valuation, generally, **25:10**
 - replacement cost, **25:10**
 - reproduction cost, **25:10**
 - S corporations, use of, **25:15**
 - Voting rights, **25:21**
- ## ESTATE TAX STATUTORY RELIEF, PLANNING FOR
- Estate planning for real estate
 - generally, **25:36 to 25:40**
 - Section 2032A, **25:37**
 - Section 6161, **25:39**
 - Section 6166, **25:38**

ESTATE TAXES

- Federal estate tax highlights, **25:4**
- Freezing values. See index heading FREEZING VALUES FOR ESTATE TAX PURPOSES
- Planning. See index heading ESTATE PLANNING FOR REAL ESTATE
- Statutory relief. See index heading ESTATE TAX STATUTORY RELIEF, PLANNING FOR

ESTATES

- Exclusion of gain on sale of principal residence, **4:18**
- Foreign person beneficiary, FIRPTA withholding tax liability, **22:12**
- Foreign person's sale of interest in, FIRPTA applicability, **22:7**
- Passive loss limitation rules applicable to generally, **11:2**
executors, **11:7**
- Planning. See index heading ESTATE PLANNING
- Taxes. See index heading ESTATE TAXES

EVIDENCE

- Casualty loss amount, cost of repairs as, **4:8**
- Participation in activity, passive loss limitation rules, **11:7**

EXCEPTIONS

- Depreciation, **14:22**
- Installment sales, **17:2**
- Like-kind exchanges
 - exchanges between related persons, **18:10**
 - Section 1031, **18:4**
- Mortgagor-mortgagee relationships. See index heading MORTGAGES
- Pension trusts, **27:11**

EXCESSIVE SALARIES

- Corporations, **6:16**

EXCHANGE OF PROPERTY

- Cancellation of lease, payments received by tenant, **21:13, 21:21**
- Distribution of Section 751 property, collapsible partnerships, **23:7**
- Like-kind exchanges. See index heading LIKE-KIND EXCHANGES
- Section 351 tax-free incorporations, **22:7**
- Subject to lease, **21:2, 21:9**
- U.S. real property interests, nonrecognition provisions, **22:7**

EXCHANGES OF PARTNERSHIP

INTERESTS

- Abandonment of partnership interest, **8:46**
- Basis adjustments - Section 754 election, **8:45**
- Conversion of partnership interests with same partnership, **8:43**
- Deemed termination, effect of, **8:47**

EXCHANGES OF PARTNERSHIP

INTERESTS—Cont'd

- Division of a partnership, **8:47**
- Jobs Growth and Tax Reconciliation Act of 2003, **8:44**
- Partnerships
 - generally, **8:42 to 8:47**
 - abandonment of partnership interest, **8:46**
 - basis adjustments - Section 754 election, **8:45**
 - conversion of partnership interests with same partnership, **8:43**
 - deemed termination, effect of, **8:47**
 - division of a partnership, **8:47**
 - Jobs Growth and Tax Reconciliation Act of 2003, **8:44**
 - sales or exchanges of partnership interests, generally, **8:44**
 - termination of partnership, **8:47**
 - trade of interest in one partnership for another, **8:42**
 - upper-tier partnerships, **8:47**
- Sales or exchanges of partnership interests, generally, **8:44**
- Termination of partnership, **8:47**
- Trade of interest in one partnership for another, **8:42**
- Upper-tier partnerships, **8:47**

EXCLUSIONS

- Basis, **1:2**
- Income
 - principal residences, gain on sale of, **4:18**
 - tenant improvements, **21:18**
- Pension trusts, **27:4 to 27:8**

EXCLUSIONS FROM GIFT TAX

- Estate planning for real estate, **25:3**

EXCLUSIVE USE TEST

- Home office deduction, **4:11**

EXECUTORS

- FIRPTA withholding tax liability, **22:12**

EXEMPT ORGANIZATIONS

- Condominium unit owners association, **5:6**

EXEMPTIONS

- Depreciation, **14:16**
- Low-income housing credit, tax-exempt financing generated credit, **16:3**

EXISTING STRUCTURES

- Construction, collapsible corporations, **23:6**

EXPENSES

- Partnerships, **8:14**
- Portfolio income reduction, **11:10**

EXPENSES OF INVESTMENT

Ownership of real estate as investment property, 12:26

EXPLOSION

Principal residence, casualty loss, 4:8

EXTENSION OF TIME

Involuntary conversions, 19:8, 19:12

EXTRAORDINARY OBSOLESCENCE

Depreciation, 14:14

EXTRAORDINARY PERSONAL SERVICES

Passive activity loss rules, 11:6

F

FACE VALUE

Installment sales, 17:14

FACTS AND CIRCUMSTANCES TEST

Passive loss limitation rules
activity, 11:4
integrated business, 11:4
Real estate related trade or business, 23:3

FAIR MARKET VALUE

Estate planning for real estate, 25:10
Mortgages, debt greater than fair market value may not be included in basis, 20:2
Partnership inventory, collapsible partnerships, 23:7
Principal residence, qualified residence interest deduction determination, 4:7

FAMILY PARTNERSHIPS

Estate planning for real estate, 25:13
Partnerships, 8:49

FEDERAL GOVERNMENT

Improvements to tract of real property, Section 1237 inapplicable, 23:4

FEDERAL GRANTS

Basis, 1:2

FEE OWNERSHIP

Interest in real property, FIRPTA, 22:6

FEES

Operation of real estate, 12:16

FIDUCIARIES

FIRPTA withholding tax liability, 22:12

FIDUCIARY LIABILITY

Estate planning for real estate, 25:32

**FIFTY-TWO/FIFTY-THREE WEEK
TAXABLE YEAR**

Accounting periods, 13:5

FILMS

See index heading MOTION PICTURE FILMS

FINANCING

Business entities
access to, 6:12
admission of new partners, 6:11
debt, 6:11
equity, 6:11
legal restrictions, 6:11
practical limitations, 6:12
stock issuance, 6:11
voluntary restrictions, 6:13
Usury limitations, 6:14

FINANCING TRANSACTIONS

Appraisal kicker loan, 24:2
Combination loan and investment, 24:2
Convertible loans, 24:2, 24:5
Equity kicker loan, 24:2
Financing transaction, sale and leaseback treated as, 24:6
Intent of parties, 24:4
Interest kicker loan, 24:2
Interest rate swap, 24:2
Judicial tests for resolving debt/equity issue, 24:4
Like-kind exchange, sale and leaseback treated as, 24:6
Participating loans, 24:5
Price-level adjustment loans, 24:2
Put and call loan, 24:2
Resolution of lender/owner issue, 24:3
Sale-leasebacks, 24:6
Sales/leasebacks
generally, 21:13
characterization as, 21:8
Scope of chapter, 24:1
Shared appreciation loans, 24:5
Statutory tests for resolving debt/equity issue, 24:4
Synthetic leases, 24:7
Tests for resolving debt/equity issue, 24:4
Thin capitalization, 24:4
Variable rate mortgage, 24:2
Variations of creative financing, 24:2

FIRPTA

See index heading FOREIGN INVESTMENT IN REAL
PROPERTY TAX ACT OF 1980 (FIRPTA)

FLEXIBLE ALLOCATIONS

Partnerships, 8:5

FLOODING FROM STORM

Principal residence, casualty loss, 4:8

FLOW-THROUGH OF TAX INCIDENTS

Partnerships, 8:2

FOCAL POINT TEST

Home office expenses, **4:11**

FORBEARANCE

Mortgages, temporary forbearance not a modification, **20:8**

FORECLOSURES

Acquisition of property, impact on mortgagee, **20:10**

Cancellation of indebtedness income and foreclosure, **20:5**

Real estate investment trusts (REIT), **10:10**

U.S. real property interest received, FIRPTA withholding tax, **22:9**

FOREIGN CONTROLLED U.S. OPERATING COMPANY

U.S. real property holding company status avoided, **22:6**

FOREIGN CORPORATIONS

Branch level interest tax, **22:18**

Branch profits tax, **22:17**

Capital contribution, U.S. real property interest transferred to gain recognition, **22:7**

Certification of nonforeign status, FIRPTA withholding tax, **22:13**

Defined, **22:5**

Disposition of U.S. real property, FIRPTA tax, **22:3**

Distribution of U.S. real property interest
FIRPTA withholding tax, **22:13**
gain recognition, **22:7**

Dividends paid by

branch profits tax, **22:19**

foreign persons receipt of, taxation of, **22:2**

Dividends received, treaty benefits, **22:19**

Earnings and profits, branch profits tax, **22:17**

Effectively connected earnings and profits,
branch profits tax, **22:17**

Election to be treated as domestic corporation
generally, **22:7**

FIRPTA withholding tax, **22:13**

Income tax treaties, branch profits tax and branch
level interest tax, **22:19**

Interest held by domestic corporation, U.S. real
property interest characterization, **22:6**

Interest paid to, branch level interest tax, **22:18**

Liquidation of subsidiary

U.S. real property interests distributed
nonrecognition of gain, **22:7**
withholding tax, **22:12**

Paid in surplus, gain recognition, **22:7**

Qualified resident, defined, **22:19**

Stock traded on established securities market,
qualified resident, **22:19**

U.S. net equity, **22:17**

FOREIGN CORPORATIONS—Cont'd

Wholly owned subsidiary, qualified resident,
22:19

FOREIGN ENTITIES

Tax classification, **6:15**

FOREIGN GOVERNMENTS

Controlled entities, FIRPTA withholding certificates, **22:10**

U.S. real property interests, transferor of,
FIRPTA withholding tax, **22:9**

FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT OF 1980 (FIRPTA)

See also index heading FOREIGN CORPORATIONS

Agents, duties and liabilities for withholding tax,
22:11

Alternative withholding rule, partnerships and
trusts having more than 100 partners or beneficiaries, **22:12**

Blanket withholding certificate, multiple dispositions of U.S. real property interests, **22:10**

Certification of nonforeign status, foreign
corporation electing domestic corporation
treatment, FIRPTA withholding tax, **22:13**

Debt financing, **22:15**

Double withholding of tax not required, **22:12**

Earnings stripping rules, **22:15**

Foreign corporations

defined, **22:5**

distributions of U.S. real property interests,
22:7

election to be treated as domestic corporation,
22:7

Foreign persons, disposition of U.S. real property
interests, **22:3**

Liability for payment of tax, **22:8**

Nonresident alien individuals, defined, **22:5**

Partnership interests, sale of, **22:7**

Penalties for failure to comply with reporting
requirements, **22:15**

Reporting requirements, **22:14**

U.S. real property interests

generally, **22:6**

distributions by foreign corporations, **22:7**
withholding, **22:12**

Withholding certificates, **22:10**

Withholding of tax

agent's liability, **22:11**

double withholding not required, **22:12**

exceptions, **22:9**

foreign corporation electing domestic corporation
treatment, **22:13**

general rules, **22:12**

partnerships and trusts, **22:12**

reduction or elimination, withholding certificates, **22:10**

**FOREIGN INVESTMENT IN REAL
PROPERTY TAX ACT OF 1980 (FIRPTA)
—Cont'd**

Withholding of tax—Cont'd
requirements, **22:8**

FOREIGN INVESTORS AND INVESTMENTS
Real estate investment trusts (REIT), **10:15**

FOREIGN MOVES
Moving expenses, **4:4**

FOREIGN PARTNERS
FIRPTA withholding tax liability, **22:12**

FOREIGN PERSONS
Debt investment in U.S. real estate, **22:15**
Disposition of U.S. real property interests, tax
return required, **22:8**
Estate beneficiary, FIRPTA withholding tax
liability, **22:12**
Income not connected with conduct of U.S. trade
or business, taxation of, **22:2**
Management of real property, conduct of trade or
business, **22:2**
Partner in partnership, FIRPTA withholding tax
liability, **22:12**
Transferor of U.S. real property interests, with-
holding of tax, **22:8**
Trust beneficiaries, FIRPTA withholding tax
liability, **22:12**
U.S. real property interests, investment in,
FIRPTA reporting requirements, **22:14**

FOREIGN TAX CREDIT
Generally, **15:1**

FORFEITURES
Lease
deduction of unamortized lease expenses, **21:2**
security deposit retained by landlord, **21:20**
Lease, by tenant
deduction of unamortized lease expenses, **21:9**
security deposit retained by landlord, rental
income, **21:20**

FORMATION OF PARTNERSHIP
See index heading **PARTNERSHIP FORMATION**

FORMER PASSIVE ACTIVITY
Losses and credits, **11:3**

FORMS OF OWNERSHIP
Generally, **7:1 to 7:6**
Individual ownership, **7:2**
Joint tenants with right of survivorship, **7:4**
Like-kind exchanges, **7:6**
Planning considerations, **7:6**
Principal residence, **4:2**
Tenants by entirety, **7:5**
Tenants in common, **7:3**

FRACTIONS TEST
Pension trusts, **27:11**

FREE TRANSFERABILITY OF INTERESTS
Tax classification of entities, **6:15**

**FREEZING VALUES FOR ESTATE TAX
PURPOSES**
Estate planning for real estate
generally, **25:23 to 25:27**
installment sales, **25:25**
intrafamily sales of property, **25:24**
private annuity sales, **25:27**
self-cancelling installment notes, **25:26**
Installment sales, **25:25**
Intrafamily sales of property, **25:24**
Private annuity sales, **25:27**
Self-cancelling installment notes, **25:26**

FREQUENCY OF SALES
Trade or business determination, **23:3**

FRINGE BENEFITS
Choice of business entity consideration, **6:19**
S corporations, fringe benefit limitations, **9:9**

FULLY TAXABLE TRANSACTIONS
Disposition of interest in passive activity,
suspended losses deductible, **11:11**

FUTURE RENTS
Lease cancellation bonus, **21:22**

G

GAIN
Condominium sale, **5:4**
Cooperative unit sale, **5:10**
Disposition of U.S. real property interests by
foreign persons, treatment as connected with
conduct of trade or business in U.S., **22:2**
Exclusion on sale of principal residence, **4:18**
Foreign persons
income not connected with conduct of trade or
business in U.S., **22:2**
nonrecognition transaction, FIRPTA withhold-
ing tax not required, **22:12**
U.S. real property interests transferred to
foreign corporation, **22:7**
withholding certificate to exempt taxation,
22:10
Interest in foreign corporation disposed of, **22:6**
Sale of lots in tract of real property, Section 1237
capital gain treatment, **23:4**
Sale of timber, coal and iron ore, election by
foreign person to treat gain as connected
with the conduct of trade or business in
U.S., **22:2**

GAIN—Cont'd

Section 751 property interest relinquished, characterization, **23:7**

GARAGES

Home office deduction, **4:11**

GENERAL BUSINESS CREDITS

Generally, **15:1**

Investment tax credit. See index heading INVESTMENT TAX CREDIT

Low-income housing credit, **16:9**

GENERAL PARTNERS

See also index heading PARTNERS

GENERAL PARTNERSHIPS

See also index heading PARTNERSHIPS

Definition, **6:4**

Equity financing

legal restrictions, **6:11**

voluntary restrictions, **6:13**

Liability of partners, **6:4**

Operating losses, deductibility by partners, **6:17**

GENERAL UTILITIES DOCTRINE

Limited liability companies, **6:6**

GENERATION-SKIPPING TRANSFER TAX

Estate planning for real estate, **25:5**

GEO THERMAL ENERGY FACILITIES

Investment tax credits, **15:5**

GIFT TAX

Adjustment. See index heading GIFT TAX ADJUSTMENT

Real estate. See index heading ESTATE PLANNING FOR REAL ESTATE

GIFT TAX ADJUSTMENT

Basis, **1:3**

Holding period, **2:4**

Transfer of interest in activity, suspended losses not allowed, **11:11**

U.S. real property interests, withholding by donee not required, **22:8**

GIFT TAX CREDIT

Estate planning for real estate, **25:3**

GIFT/LEASEBACKS

Business purpose, **21:7, 21:12**

Income shifting device, **21:7, 21:12**

GIFTS

Basis

generally, **1:3**

interest in passive activity, donors, **11:12**

Estate planning. See index heading ESTATE PLANNING FOR REAL ESTATE

GIFTS—Cont'd

Fractional interests. See index heading FRACTIONAL INTEREST GIFTS

Holding period, **2:4**

Installment sales, **17:14**

Leasebacks. See index heading GIFT/LEASEBACKS

Like-kind exchanges, **18:5**

Tax. See index heading GIFT TAX

Tax adjustment. See index heading GIFT TAX ADJUSTMENT

GOVERNMENTAL UNITS

Improvements to tract of real property, Section 1237 inapplicable, **23:4**

U.S. real property interest acquired by, FIRPTA tax withholding not required, **22:9**

GRANDFATHER PROVISIONS

Residence indebtedness deduction, **4:7**

GRANTOR RETAINED ANNUITY TRUSTS

Estate planning for real estate, **25:18 to 25:22**

GRANTOR RETAINED UNITRUSTS

Estate planning for real estate, **25:18 to 25:22**

GRANTOR TRUSTS

Exclusion of gain on sale of residence transferred to, **4:18**

Interest in, portfolio income exclusion, **11:10**

GRANTORS

Option to acquire U.S. real property interest, FIRPTA withholding not required on income from lapse or grant of option, **22:9**

GRATs

See index heading GRANTOR RETAINED ANNUITY TRUSTS

GREENHOUSE

Home office deduction, **4:11**

GRITs

See index heading GRANTOR RETAINED INCOME TRUSTS

GROSS BASIS TAXATION

Income not connected with conduct of trade or business within U.S., foreign persons, **22:2**

GROSS ESTATES

See also index heading ESTATES

Tenancy interest in principal residence included in, **4:2**

GROSS INCOME TESTS

Real estate investment trusts (REIT), **10:7**

“GROSS RENT”

Low-income housing credit, **16:5**

GROSS RENTAL ACTIVITY INCOME

Passive loss limitation rules, **11:11**

GROUND LEASES

Cancellation of lease, **21:23**

Income from not considered passive income, **11:11**

GROUND RENT PAYMENTS

Passive income, recharacterization, **11:10**

GROWTH FACTORS

Like-kind exchanges, **18:12**

GUARANTEE

Blanket withholding certificate requirement, **22:10**

GUARANTEED PAYMENTS

Partnerships, **8:24, 8:32**

GUARANTEES

Installment sales, **17:10**

Like-kind exchanges, **18:12**

H

HEDGING TRANSACTIONS

Capital assets, **3:4**

HIGHEST AND BEST USE

Estate planning for real estate, **25:10**

HISTORIC PROPERTY

Charitable contributions of real estate interests, **26:16**

HISTORIC STRUCTURES

See index heading CERTIFIED HISTORIC STRUCTURES

HOBBY LOSS RULES

Dwelling unit not used as residence, **4:13**

HOLDING PERIOD

Generally, **2:1**

Capital gains and losses, **2:1**

Constructed property, **2:3**

Contributed property, **2:8**

Corporate distributions, **2:9**

Corporate stock received in Section 351 incorporation, **2:9**

Corporations

incorporation of partnership, **2:9**

nontaxable incorporation, **2:9**

taxable incorporation, **2:9**

Dealer determination, **23:3**

Divorce, property received incident to, **2:7**

Gifts, **2:4**

Incorporation of partnership, **2:9**

Inherited property, **2:5**

Involuntary conversions, **2:7, 19:5**

HOLDING PERIOD—Cont'd

Like-kind exchanges, **2:7**

Nontaxable incorporation, **2:9**

Option exercised, **2:6**

Partnerships, **2:8, 8:18**

Purchased property, **2:2**

Reacquisition as result of default on purchase-money mortgage, **2:7**

Real property, dealer status determination, **23:3**

Replacement property, involuntary conversions, **2:7**

Residence received in total or partial tax-free transaction, **2:7**

Section 332 liquidation, **2:9**

Section 333 liquidation, **2:9**

Section 1231, **2:1**

Section 1237, capital gain treatment of sale of tracts of real property, **23:4**

Section 1250 property, depreciation recapture, **2:10**

Split, Section 351 transaction, **2:9**

Stock received by stockholder in exchange for property, **2:9**

Tacking

corporate distributions, **2:9**

corporate formations, **2:9**

involuntary conversions, **2:7**

like-kind exchange, **2:7**

partnerships, **2:8**

Taxable incorporation, **2:9**

HOLDING PROPERTY PRIMARILY FOR SALE

Dealer determination, **23:3**

HOME EQUITY INDEBTEDNESS

Defined, **4:7**

Interest deduction, **4:7, 20:4**

Principal residence, deduction, limitation, **4:7**

HOME MORTGAGES

Interest deduction, **4:7**

HOME OFFICE

Depreciation, **14:13**

Focal point test, **4:11**

Principal residence used as, deduction of expenses, **4:11**

Separate structure, **4:11**

HOME STORAGE OF INVENTORY

Principal residence use, deduction of expenses, **4:12**

HOMEOWNERS ASSOCIATIONS

Exempt function income, **5:7**

Qualifications, **5:7**

Section 528 requirements, **5:7**

Special assessments, treatment, **5:5**

HOMEOWNERS ASSOCIATIONS—Cont'd

- Tax-exempt status, **5:6**
- Timeshare associations, **5:7**

HOMES

- Interest deduction limits, average loan balance, **4:7**

HOMESTEAD LAWS

- Qualified residence interest, **4:7**

“HOT ASSETS,” TREATMENT OF

- Partnerships, **8:38**

HOT DOG STAND OWNER

- Home office deduction, **4:11**

HOUSEBOATS

- Qualified residence interest, **4:7**

HUSBAND AND WIFE

- Forms of ownership, considerations, **4:2**
- Principal residence
 - application of 10% of adjusted gross income test, **4:8**
 - casualty losses, **4:8**
 - determination for exclusion of gain on sale, **4:18**

HYDROPOWER FACILITIES

- Investment tax credits, **15:5**

I

IDENTIFICATION OF PROPERTY

- Like-kind exchanges, **18:12**

IMPROVEMENTS ON PROPERTY

- Dealer status determination, **23:4**
- Indebtedness, points deductible, **4:3**
- Interest in real property, FIRPTA, **22:6**
- Lease cancellation payments, **21:21**
- Leased property
 - cost recovery, **21:3**
 - expiration of lease, no income to landlord, **21:18**
- Substantiality, Section 1237, **23:4**
- Tenant's
 - capital expenditure, **21:18**
 - rent characterization, **21:18**
- Tract of real property, Section 1237 relief, **23:4**
- Trade or business, determination, **23:3**

IMPUTED INTEREST

- Accounting methods, **13:15**
- Acquisition of real estate, **12:6**

INCOME

- See also index heading **ORDINARY INCOME**
- Compensation for services, characterization, **3:4**
- Gain from sale of future contract rights, **3:4**

INCOME—Cont'd

- Rehabilitation credit, income implications, **16:15**

INCOME EFFECTIVELY CONNECTED WITH CONDUCT OF U.S. TRADE OR BUSINESS

- Foreign persons, net income taxation, **22:2**

INCOME FORECAST METHOD

- Installment sales, **17:11**

INCOME NOT CONNECTED WITH CONDUCT OF TRADE OR BUSINESS WITHIN U.S.

- Foreign persons, taxation of, **22:2**

INCOME PRODUCING ACTIVITIES

- Personal residence used in, **4:11**

INCOME TAX

- Addition rent, **21:15**

INCOME TAX TREATIES

- Branch level interest tax, effect on, **22:19**
- Branch profits tax, effect on, **22:19**
- Dispositions of U.S. real property interests,
 - FIRPTA withholding tax exemption, **22:10**
- Election by foreign persons to treat income from U.S. real property as connected with conduct of trade or business in U.S., **22:2**
- Foreign corporation qualified resident, branch profits tax determination, **22:19**
- Qualified resident of treaty country, exemption from branch profits tax or branch level interest tax, **22:19**

INCORPORATION OF PARTNERSHIP

- Holding period, **2:9**

INDEMNIFICATION AGREEMENTS

- Operation of real estate, **12:21**

INDEPENDENT CONTRACTORS

- Real estate investment trusts (REIT), **10:20**

INDIVIDUAL OWNERSHIP

- Forms of ownership, **7:2**

INDIVIDUALS

- Passive loss limitation rules applicable to, **11:2**

INFLATION REDUCTION ACT

- Investment tax credits, **15:4**

INHERITANCE, PROPERTY ACQUIRED BY

- Basis, **1:4, 20:2**

INHERITED PROPERTY

- Holding period, **2:5**
- Section 1237 holding period not applicable, **23:4**

INITIAL ASSESSMENTS

- Condominiums, treatment, **5:5**

INSOLVENCY

See index heading **BANKRUPTCY OR INSOLVENCY**

INSPECTION

Low-income housing credit, inspection responsibilities of state agencies, **16:4**

INSTALLMENT METHOD

Accounting methods, **13:11**
Partnerships, **8:12**

INSTALLMENT OBLIGATIONS

Unrelated party sales, equity characterization, **23:5**

INSTALLMENT SALES

Accrual method, **17:3**
Anti-abuse restrictions, **17:21**
Applicability, **17:2**
Assumption
 ordinary course of business debt, **17:10**
 seller's nonmortgage obligations, **17:9**
Basis of seller, assumption of mortgage for more than, **17:9**
Cancellations, **17:14**
Capital gains rates, **17:8**
Cash escrow deposits, **17:9**
Computing taxable gain, **17:5 to 17:7**
Consequences of not using installment method, **17:3**
Contingent payment sales, **17:11, 17:12**
Controlled entity, sale of depreciable property involving, **17:21**
Corporations, tax-free transfers to and from, **17:18**
Death, transfers incident to, **17:20**
Deferred payment method, contingent payment sales, **17:12**
Definitions, **17:9, 17:10**
Depreciable property involving controlled entity, **17:21**
Depreciation recapture override, **17:6**
Disposition of entire interest in activity, suspended losses allowable, **11:11**
Distributions, **17:14**
Divorce, transfers incident to, **17:20**
Electing out, **17:4**
Escrow deposits, **17:9**
Estate planning for real estate, **25:25**
Excepted dispositions, **17:2**
Face value, satisfaction at other than, **17:14**
Gifts, **17:14**
Guarantees, **17:10**
Income forecast method, **17:11**
Interest, **17:10, 17:22**
Like-kind exchanges, computing taxable gain integrating rules for, **17:7**
Maximum selling price determinable, **17:11**

INSTALLMENT SALES—Cont'd

Modifying installment obligations, **17:17**
Mortgages, **17:9, 17:10**
Nonrecognition events, **17:16 to 17:20**
Nontransferable obligations, **17:12**
Overview, **17:1**
Partnerships, transfers to and from, **17:19**
Passive losses, computing taxable gain integrating rules for, **17:7**
Payment defined, **17:9, 17:10**
Personal property, excepted dispositions of, **17:2**
Personal residences, computing taxable gain integrating rules for, **17:7**
Pledging installment obligations, **17:9, 17:15**
Real property, excepted dispositions of, **17:2**
Recognition events, **17:13 to 17:15**
Residential lots, dealers of, **17:22**
Revoking of election out, **17:4**
Scope, **17:1**
Second dispositions by related persons, **17:21**
Strategy for electing out, **17:4**
Substitutions, **17:17**
Tax-free transfers to and from corporations, **17:18**
Timeshares, dealers of, **17:22**
Timing of electing out, **17:4**
Wrap-around mortgages, **17:10**

INSTALLMENT SALES METHOD

Unrelated part sales, **23:5**

INSURANCE

Condominium, deduction, **5:4**
Construction of real estate, **12:13**
Operation of real estate, **12:19**

INSURANCE PREMIUMS

Tenant's payment of, **21:16**

INTANGIBLE DRILLING COSTS

Partnerships, **8:12**

INTANGIBLE PERSONAL PROPERTY

Like-kind exchanges, **18:6**

INTEGRATION RULES

Trade or business activities, passive loss limitation rules, **11:4**

INTENT OF PARTIES

Creative financing considerations, **24:4**
Improvements to leased premises by tenant as rent, intention of parties, **21:18**

INTEREST

Basis, **1:10**
Construction of real estate, **12:10**
Cooperatives, **5:10**
Debt obligation secured by mortgage on real property, foreign persons, **22:2**

INTEREST—Cont'd

- Deductibility, qualified residence, **4:7**
- Expense relating to debt to purchase interest in passive activity, **11:3**
- Foreign corporation engaged in U.S. trade or business, **22:18**
- Foreign persons, income not connected with conduct of trade or business in U.S., **22:2**
- Installment sales, **17:10, 17:22**
- Like-kind exchanges, **18:12**
- Mortgages. See index heading **MORTGAGES**
- Operation of real estate, **12:22 to 12:23**
- Ownership of real estate as investment property, **12:27**
- Pension trusts, **27:5**
- Portfolio income, passive loss limitation rules, **11:10**
- Portfolio income classification, **11:8**
- Principal residence
 - mortgage, **4:7**
 - purchase, **4:3**
- Qualified residence interest, **4:7**
- Qualifying income, publicly traded partnerships, **11:13**
- Recharacterization, passive loss rules, **11:9**
- Unpaid rents, Section 467 rental agreements, **21:2, 21:8**
- Working capital reserves, **11:8**

INTEREST INCOME

- Real estate investment trusts (REIT), **10:9**

INTEREST KICKER LOAN

- Creative financing considerations, **24:2**

INTEREST OTHER THAN INTEREST SOLELY AS CREDITOR

- Foreign persons, U.S. real property interest, **22:6**

INTEREST PAID BY U.S. TRADE OR BUSINESS

- Branch level interest tax, defined, **22:18**

INTEREST RATE SWAP

- Creative financing considerations, **24:2**

INTERESTS IN REAL PROPERTY

- Defined, **22:6**

INTERMEDIARIES

- Like-kind exchanges, **18:12**

INTERNATIONAL ORGANIZATIONS

- U.S. real property interest received from foreign person, FIRPTA withholding tax, **22:9**

INTRAFAMILY SALES OF PROPERTY

- Estate planning for real estate, **25:24**

INVENTORY

- Collapsible partnerships, **23:7**

INVENTORY—Cont'd

- Home storage, deduction of expenses, **4:12**
- Ordinary income assets, collapsible partnerships, **23:7**

INVESTMENT INCOME

- Publicly traded partnerships, **11:13**

INVESTMENT PROPERTY

- Gain on disposition of, portfolio income, **11:10**
- Investor status, **6:3**
- Residence converted to, **4:15**

INVESTMENT TAX CREDIT

- Depreciation, **14:25**

INVESTMENT TAX CREDITS

- Generally, **15:1 to 15:5**
- Allocation of Section 45 credits, **15:5**
- Amount of credit
 - renewable electricity production tax credit, **15:5**
- Basis
 - renewable electricity production tax credit, **15:5**
- Claiming credit
 - renewable electricity production tax credit, **15:5**
- Closed-loop biomass facilities, **15:5**
- Energy credit, **15:4**
- Energy credit in lieu of production tax credit, **15:5**
- Geothermal energy facilities, **15:5**
- Grant in lieu of energy credit, **15:5**
- History, **15:2**
- Hydropower facilities, **15:5**
- Inflation Reduction Act, **15:3**
- Marine and hydrokinetic facilities, **15:5**
- Municipal solid waste facilities, **15:5**
- Open-loop biomass facilities, **15:5**
- Recapture of credit or grant
 - renewable electricity production tax credit, **15:5**
- Refined coal facilities, **15:5**
- Renewable electricity production tax credit, **15:5**
- Section 38 property, **15:2**
- Section 45K, coordination of renewable electricity production tax credit with, **15:5**
- Small irrigation power facilities, **15:5**
- Solar energy, **15:5**
- Solid waste facilities, **15:5**
- Wind power, **15:5**

INVESTOR STATUS

- Status of shareholder or partner immaterial, **6:18**

INVESTORS

- Character of gain or loss on dispositions of property, **3:5**

INVESTORS—Cont'd

- Dealers distinguished primarily test, **23:3**
- Passive loss limitation rules, **11:7**
- Protection of status as, **6:18**
- Sale of real estate, capital gain or loss, **23:2**

INVISIBLE DEBT

- Basis, **1:2**

INVOLUNTARY CONVERSIONS

- Ancillary payments, **19:11**
- Basis, **1:5, 19:5**
- Condemnation, **19:4**
- Conversion proceeds, **19:5**
- Cost of replacement property, **19:5**
- Definitions, **19:3**
- Destruction, **19:4**
- Direct reinvestment in replacement property, **19:9**
- Election, generally, **19:7**
- Extension of time for replacement, **19:8, 19:12**
- General rules overview, **19:3 to 19:8**
- Holding period, **19:5**
- Holding period of replacement property, **2:7**
- Indirect reinvestment in replacement property, **19:9**
- Like-kind qualified replacement property, **19:10**
- Limitations on nonrecognition gain, **19:5**
- Mechanics of election, **19:7**
- Personal residence, qualified residence interest deduction, **4:9**
- Principal residence
 - exclusion of gain, **4:18**
 - Presidentially declared disasters, **4:9**
- Qualified replacement property, **19:9, 19:10**
- Realization of gain, **19:6**
- Replacement, time period for, **19:8**
- Requisition, **19:4**
- Scope of chapter, **19:1**
- Seizure, **19:4**
- Severance damages, **19:11**
- “Similar or related in service or use,” **19:9**
- Statutory history, **19:2**
- Taxpayer, election must be made by, **19:7**
- Theft, **19:4**
- Threat of condemnation, **19:4**
- Time or date
 - conversion proceeds, timing of, **19:5**
 - replacement, time period for, **19:8**

IRRIGATION

- Investment tax credits, small irrigation power facilities, **15:5**

ITEMIZED DEDUCTIONS

- Moving expenses, **4:4**

J

JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT

- Classification of real estate holdings, **3:2**
- Partnerships, **8:44**

JOINT AND SEVERAL LIABILITY

- Partners, **6:4**

JOINT RETURNS

- Real property trade or business qualification, **11:12**

JOINT TENANCY WITH RIGHTS OF SURVIVORSHIP

- Principal residence, **4:2**

JOINT TENANTS

- Depreciation, **14:2**
- Forms of ownership, **7:4**
- Partition, **7:4**
- Principal residence, title held as, **4:2**
- Right of survivorship, **4:2**
- Spouses with third party, **4:2**

JOINT UNDERTAKINGS OR VENTURES

- Partnerships, **8:9**
- Unrelated party sales to avoid dealer status, **23:5**

JUDICIAL DISSOLUTION

- Limited liability companies, **6:6**
- Limited partnerships, **6:5**

K

KICKER

- See also index heading **LOAN KICKERS**

L

LAND

- Construction, collapsible corporations, **23:6**

LAND GAINS TAX

- Principal residence, **4:3**

LAND TRUSTS

- Like-kind exchanges, **18:6**

LANDLORDS

- See also index heading **LEASES**
- Accrual method required
 - generally, **21:8**
 - Section 467 rental agreements, **21:2**
- Bonus received for lease, **21:4, 21:11**
- Cancellation of lease payments
 - amortization, **21:13, 21:21**
 - future rents
 - generally, **21:22**
 - paid in lieu of, **21:14**

LANDLORDS—Cont'd

- Cancellation of lease payments—Cont'd
 - ground lease agreement, **21:23**
- Cash method
 - deferral of income, **21:2, 21:8**
 - related to tenant, **21:3, 21:9**
- Donees, gift/leaseback, **21:7, 21:12**
- Income taxes paid by tenant, **21:15**
- Inducements to tenants, **21:5**
- Lease acquisition expenses
 - generally, **21:2**
 - capitalization and amortization, **21:9**
- Mortgage payments, tenant's payment of, **21:16, 21:18**
- Operating costs, tenant's payment of, **21:16**
- Real estate taxes paid by tenant, **21:15**
- Rent, treatment of, **21:6**
- Rent included in income, **21:2, 21:8**
- Sale of leased property, unamortized lease
 - acquisition expenses added to basis, **21:2, 21:9**
- Section 467 rental agreements, **21:8**
- Security deposits, **21:20**
- Tenant's payments in lieu of obligation to make
 - repairs, **21:17**

LAUNDROMAT MANAGER

- Home office deduction, **4:11**

LAWYERS

- See also index heading **ATTORNEYS**

LEASED PROPERTY

- Improvements made by tenant, **21:18**
- Lessee's construction plans approved by lessor,
 - construction for purposes of collapsible corporations, **23:6**
- Repair obligation of tenant, payments to landlord
 - in lieu of, **21:17**
- Security deposits, **21:20**

LEASEHOLD INTERESTS

- Dealer classification, **23:3**
- Depreciation of by tenant, **21:13, 21:21**
- Fee simple interest, exchange, **21:13**
- Fee simple interest, exchanged for, like-kind
 - exchange, **21:8**
- FIRPTA, interest in real property, **22:6**
- Interest other than interest solely as creditor, **22:6**
- Like-kind exchanges, **21:8, 21:13**
- Shareholder owner of, termination of lease pay-
 - ments from corporate lessor, **21:21**

LEASES

- See also index heading **LANDLORDS**
- Abandonment by tenant
 - deduction of unamortized lease costs, **21:9**
 - unamortized lease costs deduction, **21:2**

LEASES—Cont'd

- Acquisition costs, moving expense, **4:4**
- Acquisition expenses
 - landlord's, **21:2, 21:9**
 - tenant's, **21:3, 21:10**
- Bonus paid for
 - deduction to tenant, **21:4**
 - rental income to landlord, **21:4, 21:11**
- Bonus paid for cancellation of
 - amortization of payments by landlord, **21:13, 21:22**
 - deduction for tenant in year of payment, **21:14**
 - ordinary income to landlord, **21:14, 21:22**
 - tenant, deduction, **21:22**
- Cancellation of
 - amortization of payment, **21:21**
 - deduction of unamortized lease costs, **21:9**
 - demolition of building, **21:21**
 - ground lease agreement, **21:23**
 - landlord payment to tenant, **21:13**
 - security deposit retained by landlord, **21:20, 21:22**
 - unamortization lease costs deduction, **21:2**
- Controlled corporation and shareholder
 - generally, **21:11**
 - excessive rents as disguised dividends, **21:6**
- Cost of improvements credited to rent, **21:18**
- Default by tenant, security deposit forfeited, **21:20**
- Depreciation, **14:2, 14:4**
- Employee to employer of part of principal resi-
 - dence, **4:11**
- Equity interest acquired
 - generally, **21:11**
 - recharacterization as sale, **21:6**
- Expiration of
 - improvements made by tenant
 - generally, **21:18**
 - not income to landlord, **21:18**
- Extension prior to expiration
 - amortization of unamortized costs, **21:3, 21:10**
 - bonus paid for, **21:4, 21:12**
- Forfeiture by tenant, **21:2, 21:9**
- Gift/leasebacks, **21:7, 21:12**
- Ground leases. See index heading **GROUND LEASES**
- Inducements to tenant, **21:5**
- Negotiations unsuccessful, deduction of
 - expenses, **21:2**
- Options to purchase, recharacterization
 - generally, **21:11**
 - as sale, **21:6**
- Partial cancellation of
 - generally, **21:21**
 - severable economic unit, **21:13**

LEASES—Cont'd

- Property subject to long-term agreement or leaseback, **21:2, 21:8**
- Purchase of, amortization of expenses, **21:3, 21:10**
- Related parties passive income, recharacterization, **11:10**
- Renewal of, Section 110, **21:15**
- Renewal prior to expiration
 - amortization of costs, **21:3**
 - amortization of unamortized costs, **21:10**
 - bonus paid for, **21:4, 21:12**
- Repair obligation, payments to landlord in lieu of, **21:17**
- Settlement costs, moving expenses, **4:4**
- Termination of
 - tenant's unamortized costs, **21:10**
 - unamortized costs, **21:3**

LEASE-UP

- Value-enhancing services, passive activity loss rules, **11:10**

LEASING REAL PROPERTY

- Passive loss limitation rules, **11:4**

LEGAL FEES

- See also index heading **ATTORNEY FEES**
- Leasehold acquisition expense, **21:2, 21:9**

LEGAL TITLE

- Holding by corporation to avoid state usury laws, **6:14**

LEGISLATIVE HISTORY

- Passive loss limitation rules, activity, **11:4**

LESSEES

- Improvements to tract of real property, **23:4**
- Rehabilitation credit, treatment of lessees, **16:15**

LESSORS

- Corporate owner, construction activities for collapsible corporation purposes, **23:6**

LETTERS

- S corporations
 - election form, letter transmitting, **9:13**
 - revocation of S corporation election, letter transmitting, **9:17**

LETTERS OF CREDIT

- Blanket withholding certificate requirement, **22:10**

LIABILITIES

- Agent's, FIRPTA, **22:11**
- Interest paid with respect to, branch level interest tax, **22:18**
- Limited partners, **6:5**
- Partners, **6:4**

LIABILITIES—Cont'd

- Trustees, business trusts, **6:8**

LICENSE

- Interest in, portfolio income exclusion, **11:8**

LICENSING OF PROPERTY

- Royalties from, portfolio income, **11:8**

LIFE ESTATES

- Interest other than interest solely as creditor, **22:6**

LIFE INSURANCE

- Estate planning for real estate, **25:34, 25:35**

LIFETIME GIFTS

- See index heading **GIFTS**

LIFETIME QTIP TRUSTS

- Estate planning for real estate, **25:40**

LIKE-KIND EXCHANGES

- Boot, exchanges with, **18:8**
- Conservation easements, **18:6**
- Corporation, transfers from, **18:5**
- Dealer property, **18:4**
- Deferred like-kind exchanges, **18:12**
- Definitions, **18:6 to 18:8**
- Depreciable tangible personal property, **18:6**
- Depreciation, **14:7**
- Disqualified persons, **18:12**
- Escrow accounts, **18:12**
- Exceptions
 - exchanges between related persons, **18:10**
 - Section 1031, **18:4**
- Forms of ownership, **7:6**
- Gifts, **18:5**
- Growth factors, **18:12**
- Guarantee arrangements, **18:12**
- Held productive for use in trade or business or for investment, **18:5, 18:6**
- Holding period of property received, **2:7**
- Identification of property, **18:12**
- Installment sales, computing taxable gain
 - integrating rules for like-kind exchanges, **17:7**
- Intangible personal property, **18:6**
- Interest, **18:12**
- Intermediaries, **18:12**
- Land trusts, **18:6**
- Leased property
 - leasehold interests, **21:13**
 - unamortized lease expenses, **21:2**
- Leasehold interests, loss not recognized, **21:8**
- LLC, transfers to, **18:5**
- Loans to purchaser for replacement property, **18:15**
- MACRS property, **14:11**
- Mortgages, impact of, **18:9**

LIKE-KIND EXCHANGES—Cont'd

- Multiple asset exchanges, **18:14**
- New mortgage obtained old mortgage paid off, **18:9**
- Non-equity property, exchange of, **18:15**
- Nontaxable transactions, **18:5**
- Ongoing like-kind exchanges, **18:15**
- Overview, **18:2**
- Parking transactions, safe harbor for, **18:13**
- Partnership interests, **18:4, 18:5**
- Personal property, **18:6**
- Planning techniques for Section 1031, **18:15**
- Pre-exchange refinancing, **18:9**
- Principal residences, **4:18**
- QEAA requirements, **18:13**
- Qualified escrow accounts, **18:12**
- Real property, **18:6**
- Receipt of property, **18:12**
- Related persons, exchanges between, **18:10**
- Replacement property
 - identification and receipt of, **18:12**
 - loans to purchaser for, **18:15**
- Reverse like-kind exchanges, **18:13**
- Safe harbors, **18:12, 18:13**
- Sale and leaseback treated as, **24:6**
- Scope of chapter, **18:1**
- Section 1031, application of, **18:3, 18:4**
- Security arrangements, **18:12**
- Simultaneous exchanges, **18:11**
- Substance as sale or exchange, **18:7**
- Tacking of holding periods, **2:7**
- Triggering deferred gain, **18:10**

LIKE-KIND QUALIFIED REPLACEMENT PROPERTY

- Involuntary conversions, **19:10**

LIMITATIONS

- Charitable contributions of real estate interests, **26:4**
- Low-income housing credit, **16:9**
- Rehabilitation credit, **16:18**

LIMITATIONS ON ALLOWABLE LOSSES

- Partnerships, **8:31**

LIMITATIONS ON NONRECOGNITION GAIN

- Involuntary conversions, **19:5**

LIMITED LIABILITY COMPANIES

- Agreement, limited liability company agreement, **8:50**
- Certificate of formation of LLC, **8:50**
- Choice of entity, **6:1**
- Conversions, elective conversion without a change in entity, **8:53**
- Corporate shareholders, **6:7**

LIMITED LIABILITY COMPANIES—Cont'd

- Estate planning for real estate, **25:14**
- Formation, **6:6**
- Like-kind exchanges, **18:5**
- Mortgagor-mortgagee relationships. See index heading **MORTGAGES**
- Operations, **6:6**
- Owners of beneficial interest in business trusts, **6:8**
- Registered limited liability partnerships, **6:9**
- Self-employment rules, **8:52**
- Single member LLCs, **8:51**
- Tax classification of entities, **6:15**
- Taxation, **6:6**

LIMITED LIABILITY PARTNERSHIPS

- Double taxation, **6:16**
- Member qualification, **6:6**

LIMITED PARTNERS

- See also index heading **PARTNERS**
- Bankruptcy, **6:5**
- Basis in interest, nonrecourse debt exception, **6:17**
- Death, **6:5**
- Expulsion, **6:5**
- Operating losses, deductibility, **6:17**
- Passive loss limitation rules
 - material participation in activity, **11:7**
 - presumption of not active participant, **11:6**
 - \$25,000 offset allowed, **11:6**

LIMITED PARTNERSHIPS

- See also index heading **PARTNERSHIPS**
- Admission of new partners, **6:11**
- Assignment of interests, **6:5**
- Certificate of limited partnership, **6:5**
- Dissolution, **6:5**
- Distributions of profits, **6:5**
- Equity financing
 - legal restrictions, **6:11**
 - voluntary restrictions, **6:13**
- Formation, **6:5**
- Interest, basis, nonrecourse debt exception, **6:17**
- Liability of limited partners, **6:5**
- Management, **6:5**
- Operating losses, **6:17**
- Publicly traded partnerships, **11:13**
- Termination, distribution of assets, **6:5**
- Winding up, **6:5**

LIMITED PARTNERSHIPS TAXABLE AS CORPORATIONS

- Publicly traded partnerships, **11:13**

LIQUIDATING DISTRIBUTIONS

- Basis, **1:15**
- Business trusts, **6:8**

LIQUIDATING DISTRIBUTIONS—Cont'd

- Cooperatives, **5:12**
- Corporate property, holding period to distributee shareholder, **2:9**
- Foreign corporations, U.S. real property interests, **22:7**
- Partnerships
 - generally, **8:37 to 8:39**
 - holding period to distributee partner, **2:8**

LIQUIDATIONS

- See also index headings **CORPORATE LIQUIDATIONS**
- Cooperatives, conversion to condominium, **5:14**
- Foreign corporations, branch profits tax, **22:17**
- Partnerships, **8:16**
- U.S. real property holding company, withholding tax, **22:12**

LIQUIDITY

- Estate planning for real estate, **25:33**

LISTED ASSETS

- Partnerships, **8:3**

LOAN DISCOUNT

- Deductibility as points, **4:3**

LOAN FEES

- Construction of real estate, **12:9**

LOAN ORIGATION FEES

- Deductibility as points, **4:3**

LOAN PLACEMENT CHARGES

- Personal residence, **4:3**

LOAN SECURED BY PRINCIPAL RESIDENCE

- Interest deduction, **4:7**

LOANS

- Average balance, interest deduction limits, **4:7**
- Corporate borrower, usury limitations avoided, **6:14**
- Forgiveness, CARES Act, **App A**
- Like-kind exchanges, **18:15**
- Rehabilitation credit, construction loans, **16:12**
- Student, CARES Act, **App A**
- Usury limitations, avoidance, **6:14**

LOBBYING EXPENSES

- Operation of real estate, **12:18**

LOCAL LAW

- Partnerships, **8:6**

LOCATION

- Passive loss limitation rules, **11:4**

LODGING

- Moving expense, **4:4**

LODGING FURNISHED BY EMPLOYER TO EMPLOYEE

- Use not attributable to employer under Section 280A, **4:13**

LONG-TERM AGREEMENT

- Constant rental amount rules applicable, **21:2, 21:8**

LONG-TERM CAPITAL GAIN OR LOSS

- Holding period, **2:1**
- Tax rate, **2:1**

LONG-TERM CONTRACTS

- Accounting methods, **13:12**

LOSSES

- See also index headings **CAPITAL LOSSES**; **OPERATING LOSSES**
- Condominium sale, **5:4**
- Cooperative unit sale, **5:10**
- Like-kind exchanges
 - generally, **21:8**
 - leases, **21:13**
- Publicly traded partnerships, **11:13**
- S corporations, **6:7**
- Sale/leaseback, recognition by seller, **21:8, 21:13**

LOSS-TRIGGERING DISPOSITIONS

- Suspended losses of passive activities, **11:11**

LOW-INCOME COMMUNITY INVESTMENTS

- New markets tax credit. See index heading **NEW MARKETS TAX CREDIT**

LOW-INCOME HOUSING

- Credit. See index heading **LOW-INCOME HOUSING CREDIT**
- Depreciation, **14:12**
- Passive activity credit
 - phase-out rule, **11:6**
 - publicly traded partnerships, **11:13**

LOW-INCOME HOUSING CREDIT

- Generally, **16:1 to 16:10**
- Allocation of credit, **16:3, 16:4, 16:21**
- Alternative minimum tax limitations, **16:9**
- Applicable percentage, **16:6**
- At-risk rule limitations, **16:9, 16:21**
- Basis, **16:6, 16:8, 16:21**
- Calculating the credit, **16:6**
- Combining credits, **16:21**
- Common transactional structure, **16:2**
- Computation of credit, **16:21**
- Continuing responsibilities of state agencies, **16:4**
- Credit percentage, **16:21**
- Decrease in eligible basis, **16:6**
- Disposition of building or interest therein, **16:9**

LOW-INCOME HOUSING CREDIT—Cont'd

- Distinctions
 - new markets tax credit and low-income housing credit, **16:22**
 - rehabilitation credit and low-income housing credit, **16:20, 16:21**
- General business credit limitations, **16:9**
- Grant in lieu of credit allocation, **16:3**
- "Gross rent," **16:5**
- Housing agency, **16:3, 16:4, 16:9**
- Increase in eligible basis, **16:6**
- Inspection responsibilities of state agencies, **16:4**
- Internal Revenue Service, responsibilities to, **16:9**
- Limitations on using the credit, **16:9**
- Limits on amount of allocation to a project, **16:4**
- Minimum set-aside requirements, **16:3, 16:5**
- Notice requirements, **16:4**
- Passive activity loss rules, **16:9, 16:21**
- "Place-in-service" date, **16:6**
- Property type restrictions, **16:21**
- Qualified allocation plan, **16:4**
- Qualified basis, **16:6**
- Qualified low-income building, **16:5**
- Qualifying for the credit, **16:5**
- Recapture potential, **16:10**
- Rehabilitation credit compared and contrasted, **16:20, 16:21**
- Reporting responsibility, **16:4, 16:9**
- Residential rental property, generally, **16:5**
- Review responsibilities of state agencies, **16:4**
- Separate building, rehabilitation expenditures treated as, **16:7**
- Set-aside amounts, **16:3, 16:5**
- 70 percent credit, **16:6**
- State agency allocations to projects, **16:3, 16:4**
- Substantial rehabilitation test, **16:21**
- Tax-exempt financing generated credit, **16:3**
- 30 percent credit, **16:6**
- Use restrictions, **16:21**

M

MAINTENANCE EXPENSES

- Condominiums, deduction, **5:4**

MANAGEMENT

- Corporations, **6:7**
- Limited liability companies, **6:6**
- Services, passive loss limitation rules, **11:7**

MANAGEMENT COMPANIES

- Foreign person not engaged in conduct of trade or business, **22:2**

MANAGEMENT FEES

- Operation of real estate, **12:16**

MANAGEMENT FEES—Cont'd

- Passive loss limitation rules, self-charged item, **11:9**

MARINE AND HYDROKINETIC FACILITIES

- Investment tax credits, **15:5**

MARITAL DEDUCTION

- Estate planning for real estate, **25:3, 25:4**

MARKETABLE SECURITIES

- Partnerships, **8:36**

MASTER LIMITED PARTNERSHIPS

- Publicly traded partnerships, **11:13**

MATERIAL PARTICIPATION

- Passive loss limitation rules, **11:7**
- Real property trade or business, **11:12**

MAXIMUM SELLING PRICE

DETERMINABLE

- Installment sales, **17:11**

MEALS

- Moving expense (pre-1994), **4:4**

MEDICAL EXCLUSION

- Estate planning for real estate, **25:3**

MEDICAL EXPENSES

- Qualified residence indebtedness, **4:7**

MEMBERS

- Limited liability companies, status, **6:6**

MERGERS

- Limited liability company, **6:6**

MERGERS AND CONSOLIDATIONS

- Corporations, **6:8**

METHODS OF TAX ACCOUNTING

- See index heading ACCOUNTING METHODS

MILITARY PERSONNEL

- Moving expense deduction, **4:4**

MINERAL OR NATURAL RESOURCE EXPLORATION

- Publicly traded partnership qualifying income, **11:13**

MINIMUM DISTANCE CONDITION

- Moving expense deduction, **4:4**

MINIMUM DISTRIBUTION REQUIREMENT

- Real estate investment trusts (REIT), **10:12**

MINIMUM GAIN CHARGEBACK

- Partnerships, **8:29**

MINIMUM SET-ASIDE REQUIREMENTS

- Low-income housing credit, **16:3, 16:5**

MINIMUM TIME CONDITION

Moving expense deduction, **4:4**

MIXING BOWL DISTRIBUTIONS

Partnerships, **8:39**

MOBILE HOMES

Qualified residence interest, **4:7**

MODERATE INCOME HOUSING

Depreciation, **14:12**

MODIFIED ACCELERATED COST RECOVERY SYSTEM

Antichurning rules, **14:10**

Bonus for qualified property, depreciation, **14:8**

Depreciation

antichurning rules, **14:10**

bonus for qualified property, **14:8**

election of general asset accounts, **14:9**

like-kind exchanges, **14:7, 14:11**

nontaxable transactions, **14:11**

personal property MACRS depreciation of, **14:8**

real property MACRS depreciation of, **14:7**

Section 351, **14:11**

Section 361, **14:11**

Section 721, **14:11**

Section 731, **14:11**

Section 1031, **14:11**

Election of general asset accounts, **14:9**

Like-kind exchanges, **14:7, 14:11**

Nontaxable transactions, **14:11**

Personal property MACRS depreciation of, **14:8**

Real property MACRS depreciation of, **14:7**

Section 351, **14:11**

Section 361, **14:11**

Section 721, **14:11**

Section 731, **14:11**

Section 1031, **14:11**

MODIFYING INSTALLMENT OBLIGATIONS

Installment sales, **17:17**

MONEY

Partnerships

deemed distributions of, **8:35**

tax ramifications of formation, **8:20**

MORE THAN ONE ACTIVITY

Passive loss limitation rules, **11:4**

MORTGAGE INTEREST

Deduction

condominium unit owner, **5:4**

cooperative tenant-stockholder, **5:10**

principal residence, **4:7**

MORTGAGES

Acquisition indebtedness, **4:7, 20:4**

MORTGAGES—Cont'd

Acquisition of property, impact on mortgagee generally, **20:10**

purchase money mortgage, acquisition of property pursuant to, **20:11**

Assumption of liability, **20:2**

Bad debt deduction, **20:7, 20:11**

Bankruptcy or insolvency, effect of, **20:5**

Basis

bankruptcy or insolvency, discharge in, **20:5**

inclusion of mortgage debt in basis, **20:2**

loss on foreclosure, **20:9**

principal residence indebtedness exception, basis reduction under, **20:6**

purchase money mortgage, acquisition of property pursuant to, **20:11**

Business and non-business bad debt, tax treatment, **20:7**

Cancellation or reduction of principal amount of mortgage debt

impact on mortgagee, **20:7**

impact on mortgagor

when mortgagor is bankrupt or insolvent, **20:5**

when mortgagor is not bankrupt or insolvent, **20:6**

Collateral, change in a significant modification, **20:8**

Compromise or settlement, cancellation or reduction of principal amount of mortgage debt, **20:5**

Contested liability, cancellation of indebtedness income and, **20:5**

Contingent debt not included in basis, **20:2**

Deduction of interest on mortgage debt, **20:4**

“Deeded exchange” of debt, **20:8**

Exceptions

bankruptcy and insolvency exception to inclusion of cancellation indebtedness in income, **20:5**

inclusion of debt in basis, **20:2**

qualified real property business debt exception to inclusion of cancellation indebtedness income, **20:6**

Fair market value, debt greater than may not be included in basis, **20:2**

Family members, cancellation of indebtedness income and, **20:5**

Forbearance, temporary forbearance not a modification, **20:8**

Foreclosure. See index heading FORECLOSURE

Guarantor's payment of mortgage interest, deductibility, **20:4**

Home equity indebtedness, **4:7, 20:4**

Inheritance, acquiring encumbered property by, **20:2**

Installment sales, **17:9, 17:10**

MORTGAGES—Cont'd

- Interest
 - deduction of, **4:7, 20:4**
 - tenant, payment by, **21:16**
- Like-kind exchanges, **18:9**
- Limited liability companies
 - admission of new money partner and admission of lender as partner, **20:13**
 - transfers of encumbered property, **20:12**
- Loss of property, impact on mortgagor, **20:9**
- Lost deduction exception to inclusion of debt cancellation in income, **20:6**
- Modification of mortgage debt, significant modification, **20:8**
- Mortgagor-mortgagee relationships, generally, **20:1 to 20:13**
- Nature of debt instrument, change in a significant modification, **20:8**
- New money partner, admission of, **20:13**
- Nonrecourse debt and foreclosure, **20:9**
- Obligor, change in a significant modification, **20:8**
- Option to change a term of the instrument, failure to exercise not a modification, **20:8**
- Partnerships
 - abandonment of partnership interest, **20:9**
 - admission of new money partner and admission of lender as partner, **20:13**
 - bankruptcy and insolvency exception to inclusion of cancellation indebtedness in income, **20:5**
 - qualified real property business debt exception to inclusion of cancellation indebtedness income, **20:6**
 - transfers of encumbered property, **20:12**
- Passive activity, interest expense on debt allocated to, **20:4**
- Personal expenses, interest expense on debt allocated to, **20:4**
- Points paid, purchase of principal residence, **4:3**
- Principal and interest payments, tenant's payment of principal and interest, rental income to landlord, **21:16**
- Principal residence indebtedness exception to inclusion of cancellation indebtedness income, **20:6**
- Principal residence interest deduction, **4:7**
- Priority of debt, change in a significant modification, **20:8**
- Purchase money mortgage, **20:11**
- Qualified liability defined and construed, **20:12**
- Recourse debt and foreclosure, **20:9**
- Reduction of principal. Cancellation or reduction of principal amount of mortgage debt, above
- Release of guarantee, cancellation of indebtedness income and, **20:5**
- Rescission of sale, **20:10**

MORTGAGES—Cont'd

- S corporations, bankruptcy and insolvency exception to inclusion of cancellation indebtedness in income, **20:5**
- Scope of chapter, **20:1**
- Security, change in a significant modification, **20:8**
- Services, cancellation of indebtedness income and performance of, **20:5**
- Speculative debt not included in basis, **20:2**
- Subsequent placement of mortgage may not be included in basis, **20:2**
- Taxation of borrowed funds, **20:3**
- Tenant's payment of principal and interest, **21:16**
- Timing of cancellation of indebtedness, **20:5**
- Timing of payments, change in a significant modification, **20:8**
- Worthless debt, deductibility, **20:7, 20:11**
- Yield, change in yield is a significant modification, **20:8**

MOVIES

- See index heading MOTION PICTURE FILMS

MOVING EXPENSES

- Service fees (points), **4:3**

MULTIPLE ASSET EXCHANGES

- Like-kind exchanges, **18:14**

MUNICIPAL SOLID WASTE FACILITIES

- Investment tax credits, **15:5**

MUSICIANS

- Home office deduction, **4:11**

N**NATIONAL HOUSING ACT**

- Mortgage insured under, holding period, **2:10**

NATURE OF BUSINESS

- Dealer status determination, **23:3**

NET CAPITAL LOSSES

- Deduction, limitation, **2:1**

NET INCOME BASIS TAXATION

- Foreign persons, taxation of income connected with conduct of trade or business in U.S., **22:2**

NET LEASES

- Real property, foreign persons, conduct of trade or business, **22:2**

NET OPERATING LOSS

- CARES Act, **App A**
- Carry back
 - C corporations, **6:17**
 - nonexempt cooperative, **5:13**

NET OPERATING LOSS—Cont'd

- Carry back—Cont'd
partners, **6:17**
- Carryover
C corporations, **6:17**
partners, **6:17**
S corporations, **6:17**

NET PASSIVE INCOME OR LOSS

- Interest expense on debt to purchase interest in
passive activity, **11:3**
- Portfolio investments, **11:3**
- Publicly traded partnerships, **11:13**

NET RENTAL ACTIVITY INCOME

- Passive loss limitation rules, **11:10**

NET U.S. REAL PROPERTY GAIN

- Nonresident alien individuals, FIRPTA tax, **22:3**

NET U.S. REAL PROPERTY LOSS

- Nonresident alien individuals, limitations, **22:3**

NEW AND DIFFERENT USE TEST

- Operation of real estate, **12:20**

NEW MARKETS TAX CREDIT

- Generally, **16:22 to 16:30**
- Amount of credit, **16:27**
- Claiming of credit, **16:29**
- Commercial real estate, generally, **16:22**
- Distinctions from low-income housing credit,
16:22
- Impact on basis, **16:28**
- Qualified active low-income community busi-
ness, **16:26**
- Qualified equity investments, **16:24**
- Qualified low-income community investments,
16:25
- Qualifying community development entity, **16:23**
- Recapture, **16:29**

NON CORPORATE TAXPAYERS

- Sales of subdivided real property, **23:4**

NON RENTAL ACTIVITIES

- Passive loss limitation rules, **11:6**

NONDEALER

- Condominium conversions, **23:5**

NONDISCRIMINATION TESTS

- Employee benefit plans, **6:19**

NONEXEMPT COOPERATIVES

- Net operating loss carrybacks, **5:13**

NONLIQUIDATING DISTRIBUTIONS

- Corporate property, holding period, **2:9**
- Partnership property, holding period, **2:8**

NONRECOGNITION EVENTS

- Charitable contributions of real estate interests,
26:3
- Installment sales, **17:16 to 17:20**

NONRECOGNITION TRANSFERS

- U.S. real property interests, **22:9**

NONRECOURSE DEBT

- Mortgagor-mortgagee relationship, foreclosure,
20:9
- Partnerships, **8:16**

NONRECOURSE DEBT EXCEPTION

- Limited partner's basis in limited partnership,
6:17

NONREFUNDABLE PERSONAL CREDITS

- Generally, **15:1**

NONRESIDENT ALIENS

- Capital gains, thirty percent tax liability, **22:2**
- Defined, **22:5**
- Disposition of U.S. real property, gain or loss
treatment, **22:3**

NONTRANSFERABLE OBLIGATIONS

- Installment sales, **17:12**

“NOT SUBSTANTIALLY RELATED”

- Defined, **27:3**

NOTES

- Foreign persons, creditors, gain on sale subject to
FIRPTA tax, **22:6**

O

OBSOLESCENCE

- Depreciation, **14:14**

OFFICE BUILDINGS

- Home office deduction, **4:11**

OFFICERS, CORPORATE

- Powers, **6:7**

OFFSETS

- Pension trusts, **27:11**

OID

- See index heading ORIGINAL ISSUE DISCOUNT

OIL AND GAS

- Working interest in property
exclusion from passive activity definition, **11:4**
material participation irrelevant, **11:7**

OIL ROYALTY RIGHT

- Gain on transfer as ordinary income, **3:4**

**OMNIBUS BUDGET RECONCILIATION ACT
OF 1993**

- Operation of real estate, **12:18**

OMNIBUS BUDGET RECONCILIATION ACT OF 1993—Cont'd

Presidentially declared disasters, **4:9**
Real property trade or business, **11:12**

OPEN SPACE, PRESERVATION FOR

Charitable contributions of real estate interests, **26:16**

OPEN-LOOP BIOMASS FACILITIES

Investment tax credits, **15:5**

OPERATING COSTS

Leased property, tenant's payment of, **21:16**

OPERATING LOSSES

Deductibility, **6:17**
Defined, **6:17**

OPERATION OF REAL ESTATE

Generally, **12:14**
Asbestos, **12:21**
Business tax deficiency interest, deductibility of, **12:22**
Capitalization or deduction, **12:14**
Contaminated land, acquisition of, **12:21**
Contingent interest with shared appreciation mortgages, **12:24**
Costs and expenses, **12:15, 12:16, 12:18, 12:21 to 12:24**
Deduction
 capitalization, **12:14**
 qualified production activities income deduction, **12:7**
Environmental cleanup costs, **12:21**
Fees, **12:16**
Incidental, meaning of, **12:20**
Indemnification agreements, **12:21**
Insurance, **12:19**
Interest expense, **12:22 to 12:23**
Lobbying expenses, **12:18**
Management fees, **12:16**
Miscellaneous operating expenses, **12:25**
New and different use test, **12:20**
Omnibus Budget Reconciliation Act of 1993, **12:18**
Qualified production activities income deduction, **12:7**
Recurring item exception, **12:14**
Rehabilitation, general plan of, **12:20**
Remediation of land contaminated by taxpayer, **12:21**
Rent-up fees, **12:25**
Repairs, **12:20**
Repairs made after purchase, **12:20**
Rule of 78s, **12:23**
Start-up costs, **12:14, 12:15**
Storage tanks, **12:21**

OPERATION OF REAL ESTATE—Cont'd

Taxes on real property, **12:17**
Tracing of interest, **12:22**
Value test, **12:20**
Year of deduction, **12:14, 12:17**

OPTIONS

Acquire land and improvements, FIRPTA, **22:6**
Acquire leasehold, FIRPTA, **22:6**
Lapse of to acquire U.S. real property interest, FIRPTA tax withholding not required, **22:9**

OPTIONS TO PURCHASE

Holding period of property acquired by, **2:6**
Leased property, recharacterization as sale, **21:6, 21:11**

OPTIONS TO REPURCHASE

Sale/leasebacks, financing transactions, **21:8, 21:13**

ORDINARY INCOME

Collapsible corporation stock, gain on sale, **23:6**
Collapsible partnership interests, gain on sale, **23:7**
Landlord's lease cancellation bonus, **21:14, 21:22**

ORGANIZATION EXPENSES

Partnerships, **8:14**

ORGANIZATIONAL STRUCTURE

Real estate investment trusts (REIT), **10:4**

ORIGIN OF CLAIM

Capital assets, **3:4**

ORIGINAL ISSUE DISCOUNT

Accounting methods, **13:15**
Acquisition of real estate, **12:6**

OWNERSHIP FEE

Condominiums, **5:3**

OWNERSHIP OF REAL ESTATE

Condominiums, **5:3**
Cooperatives, **5:9**
Expenses of investment, **12:26**
Individual, **4:2**
Interest, **12:27**

P

PACKAGED INVESTMENT OPPORTUNITIES

Passive loss limitation rules, **11:6**

PAID IN SURPLUS

U.S. real property interest transferred to foreign corporation, gain recognition, **22:7**

PARKING TRANSACTIONS

Like-kind exchanges, **18:13**

PARTIAL INTERESTS IN PROPERTY, TRANSFER OF

Access to conservation easement, **26:16**

Charitable contributions of real estate interests

generally, **26:12 to 26:16**

access, **26:16**

conservation easements, **26:16**

deductibility of charitable contributions, **26:8**

education, preservation for, **26:16**

environment, preservation for, **26:16**

exclusivity, **26:16**

historic property, preservation of, **26:16**

open space, preservation for, **26:16**

qualified organization, **26:16**

qualified real property interests, **26:16**

recordkeeping of taxpayer, **26:19**

recreation, preservation for, **26:16**

remainder interests, **26:15**

trust, interest which would be deductible in, **26:14**

undivided portions of entire interests, **26:13**

Conservation easements, **26:16**

Deductibility of charitable contributions, **26:8**

Education, preservation for, **26:16**

Environment, preservation for, **26:16**

Exclusivity, charitable contributions of real estate interests, **26:16**

Historic property, preservation of, **26:16**

Open space, preservation for, **26:16**

Qualified real property interests, **26:16**

Recordkeeping of taxpayer, **26:19**

Recreation, preservation for, **26:16**

Remainder interests, **26:15**

Trust, interest which would be deductible in, **26:14**

Undivided portions of entire interests, **26:13**

PARTICIPATING LOANS

Creative financing considerations, **24:5**

PARTICIPATION

Passive loss limitation rules, **11:7**

PARTIES

Depreciation, **14:2**

PARTITION

Joint tenants, **7:4**

Tenants by entirety, **7:5**

Tenants in common, **7:3**

PARTNERS

See also index heading FOREIGN PARTNERS

Allocation of basis among distributed properties, **1:13**

PARTNERS—Cont'd

Amortization of intangibles, depreciation, **14:26**

Assignment of interest, **6:4**

At risk, **1:22**

Basis

allocation of basis among distributed properties, **1:13**

at risk, **1:22**

contributed to partnership, **1:17**

encumbered property, **1:14**

exception for distributions within first two years, **1:12**

guaranteed payments, **1:16**

liens and encumbrances, **1:14**

liquidating distributions, **1:15**

property distributed by partnership, generally, **1:11 to 1:16**

sales or exchanges, **1:16**

Contributed to partnership, **1:17**

Contribution of use of property to partnership, **11:6**

Deceased successor in interest, payment to, Section 751(b) not applicable, **23:7**

Depreciation

amortization of intangibles, **14:26**

parties entitled to deduct depreciation, **14:2**

tax-exempt entity leasing, **14:23**

Encumbered property, **1:14**

Exception for distributions within first two years, **1:12**

Guaranteed payments, **1:16**

Holding period

partnership interest, **2:8**

purchased partnership property, **2:8**

Holding period, partnership distribution, **2:8**

Liability, **6:4**

Liens and encumbrances, **1:14**

Liquidating distributions, **1:15**

Net operating losses, **6:17**

Operating losses of partnership, deductibility, **6:17**

Parties entitled to deduct depreciation, **14:2**

Property distributed by partnership, generally, **1:11 to 1:16**

Publicly traded partnerships, **11:13**

Sales or exchanges, **1:16, 23:7**

Section 751 property received, gain or loss characterization, **23:7**

Tax-exempt entity leasing, depreciation, **14:23**

PARTNERSHIP ALLOCATIONS

Liability among partners, **8:16**

Nonrecourse liabilities, allocations attributable to, **8:28**

PARTNERSHIP DISTRIBUTIONS

See also index headings **LIQUIDATING DISTRIBUTIONS**;
NONLIQUIDATING DISTRIBUTIONS

Holding period to partner, **2:8**

PARTNERSHIP FORMATION

Accounting method election, **8:12**

Allocation of liability among partners, **8:16**

Assumption of liabilities, **8:16**

Basis in property

generally, **8:15 to 8:21**

allocation of liability among partners, **8:16**

assumption of liabilities, **8:16**

character of property contributed to partnership, **8:17**

exceptions, **8:20**

holding period, **8:18**

liquidation of partnership, **8:16**

money or other property, receipt of partnership for, **8:20**

nonrecourse liabilities, **8:16**

receipt of partnership for money, other property or services, **8:19 to 8:21**

recourse liabilities, **8:16**

services, receipt of partnership for, **8:21**

special rule for nonrecourse liability with interest guaranteed, **8:16**

taking on liabilities, **8:16**

Tax Reform Act of 1984, **8:17**

Beginning expenses, **8:14**

Character of property contributed to partnership, **8:17**

Check-the-box regulations, impact of, **8:11**

Coownership, contrast with, **8:9**

Definitions, **8:6**

Depreciation election, **8:12**

Election for exclusion from partnership status, **8:10**

Elections, generally, **8:12**

Event, formation on happening of, **8:8**

Exclusion from partnership status, tax election for, **8:10**

Expenses, treatment of, **8:14**

Holding period, basis in property, **8:18**

Installment method, election out of, **8:12**

Intangible drilling costs, election to deduct, **8:12**

Joint undertaking, contrast with, **8:9**

Legal ramifications of

check-the-box regulations, impact of, **8:11**

coownership, contrast with, **8:9**

definitions, **8:6**

election for exclusion from partnership status, **8:10**

event, formation on happening of, **8:8**

exclusion from partnership status, tax election for, **8:10**

PARTNERSHIP FORMATION—Cont'd

Legal ramifications of—Cont'd

joint undertaking, contrast with, **8:9**

local law, **8:6**

overview, **8:6**

performance of certain acts, formation on, **8:8**

timing of formation, **8:8**

written agreement, **8:7**

Liquidation of partnership, **8:16**

Local law, **8:6**

Money or other property, receipt of partnership for, **8:20**

Nonrecourse liabilities, **8:16**

Optional adjustment to basis election, **8:12**

Organization expenses, **8:14**

Organizational expenses, treatment of, **8:14**

Partner's partnership interest

basis, **2:8**

holding period, **2:8**

Performance of certain acts, formation on, **8:8**

Receipt of partnership for money, other property or services, **8:19 to 8:21**

Recourse liabilities, **8:16**

Reinvestment upon involuntary conversion election, **8:12**

Roll over election, **8:12**

Services, receipt of partnership for, **8:21**

Special rule for nonrecourse liability with interest guaranteed, **8:16**

Syndication expenses, **8:14**

Syndication expenses, treatment of, **8:14**

Taking on liabilities, **8:16**

Tax ramifications of

accounting method election, **8:12**

allocation of liability among partners, **8:16**

assumption of liabilities, **8:16**

basis in property

generally, **8:15 to 8:21**

allocation of liability among partners, **8:16**

assumption of liabilities, **8:16**

character of property contributed to partnership, **8:17**

exceptions, **8:20**

holding period, **8:18**

liquidation of partnership, **8:16**

money or other property, receipt of partnership for, **8:20**

nonrecourse liabilities, **8:16**

receipt of partnership for money, other property or services, **8:19 to 8:21**

recourse liabilities, **8:16**

services, receipt of partnership for, **8:21**

special rule for nonrecourse liability with interest guaranteed, **8:16**

taking on liabilities, **8:16**

Tax Reform Act of 1984, **8:17**

PARTNERSHIP FORMATION—Cont'd

- Tax ramifications of—Cont'd
 - beginning expenses, **8:14**
 - character of property contributed to partnership, **8:17**
 - depreciation election, **8:12**
 - elections, generally, **8:12**
 - expenses, treatment of, **8:14**
 - holding period, basis in property, **8:18**
 - installment method, election out of, **8:12**
 - intangible drilling costs, election to deduct, **8:12**
 - liquidation of partnership, **8:16**
 - money or other property, receipt of partnership for, **8:20**
 - nonrecourse liabilities, **8:16**
 - optional adjustment to basis election, **8:12**
 - organization expenses, **8:14**
 - organizational expenses, treatment of, **8:14**
 - receipt of partnership for money, other property or services, **8:19 to 8:21**
 - recourse liabilities, **8:16**
 - reinvestment upon involuntary conversion election, **8:12**
 - roll over election, **8:12**
 - services, receipt of partnership for, **8:21**
 - special rule for nonrecourse liability with interest guaranteed, **8:16**
 - syndication expenses, **8:14**
 - syndication expenses, treatment of, **8:14**
 - taking on liabilities, **8:16**
 - Tax Reform Act of 1984, **8:17**
 - taxable year election, **8:12**
 - taxable years, **8:13**
 - Tax Reform Act of 1984, **8:17**
 - Taxable year election, **8:12**
 - Taxable years, **8:13**
 - Timing of formation, **8:8**
 - Written agreement, **8:7**

PARTNERSHIP INTERESTS

- Collapsible partnership, ordinary income on sale or exchange of, **23:7**
- Disposition of in taxable transaction, suspended passive losses allowable, **11:11**
- Gain or loss from sale, portfolio income determination, **11:8**
- Held for sale to customers, dealer classification, **23:3**
- Partial sales of, collapsible partnership provisions, **23:7**
- Sale by foreign persons, FIRPTA applicability, **22:7**

PARTNERSHIP INVENTORY

- See also index heading **INVENTORY**

PARTNERSHIP INVENTORY—Cont'd

- Substantially appreciated, collapsible partnership provisions, two-part test, **23:7**

PARTNERSHIP OPERATIONS

- Accounting for property contributions, **8:30**
- Allocations attributable to nonrecourse liabilities, **8:28**
- As if made to a partner, **8:32**
- Cash flow distributions, **8:24**
- Change in partnership interests as affecting determination of distributive shares, **8:33**
- Curative allocations, traditional method with, **8:30**
- Depreciation recapture, **8:30**
- Distributive share of partnership items and “substantial economic effect,” **8:25 to 8:29**
- Guaranteed payments, **8:32**
- Interest of partner in partnership, **8:27**
- Limitations on allowable losses, **8:31**
- Minimum gain chargebacks, **8:29**
- Operating rules, generally, **8:30**
- Partnership payments to partners, **8:32**
- Remedial method, **8:30**
- “Substantial economic effect,” **8:25 to 8:29**
- Traditional method, **8:30**

PARTNERSHIP PROPERTY

- Basis, contributed by partner, **2:8**
- Holding period
 - buy-out agreement, purchase pursuant to, **2:8**
 - contributed by partner, **2:8**
 - purchase by partner, **2:8**

PARTNERSHIPS

- See also index headings **GENERAL PARTNERSHIPS**;
LIMITED PARTNERSHIPS
- Abandonment of partnership interest, **8:46**
- Accounting for property contributions, **8:30**
- Accounting method election, **8:12**
- Accounting periods, **13:3, 13:4**
- Allocations
 - liability among partners, **8:16**
 - nonrecourse liabilities, allocations attributable to, **8:28**
- Alternative withholding rule, FIRPTA, **22:12**
- Assignment of interest, **6:4**
- Assumption of liabilities, **8:16**
- Basis adjustments - Section 754 election, **8:45**
- Basis in property
 - generally, **8:15 to 8:21**
 - allocation of liability among partners, **8:16**
 - assumption of liabilities, **8:16**
 - character of property contributed to partnership, **8:17**
 - exceptions, **8:20**
 - holding period, **8:18**

PARTNERSHIPS—Cont'd

Basis in property—Cont'd

- liquidation of partnership, **8:16**
- money or other property, receipt of partnership for, **8:20**
- nonrecourse liabilities, **8:16**
- receipt of partnership for money, other property or services, **8:19 to 8:21**
- recourse liabilities, **8:16**
- services, receipt of partnership for, **8:21**
- special rule for nonrecourse liability with interest guaranteed, **8:16**
- taking on liabilities, **8:16**

Tax Reform Act of 1984, **8:17**Beginning expenses, **8:14**Capital as material income-producing factor, **8:40, 8:49**Change in partnership interests as affecting determination of distributive shares, **8:33**Character of property contributed to partnership, **8:17**Check-the-box regulations, impact of, **8:11**Collapsible, gain on sale of interest in treated as ordinary income, **23:7**Contributed property, holding period, **2:8**Contribution of use of property by partner, passive loss limitation rules, **11:6**Contributions to property, no recognition of gain or loss, **8:3**Controlled partnerships, losses on sales or exchanges with respect to, **8:23**Conversion of partnership interests with same partnership, **8:43**Coownership, contrast with, **8:9**Curative allocations, traditional method with, **8:30**Current distributions, treatment of, **8:34, 8:36**Dealer in real property, collapsible partnership provisions, **23:7**Debt-financed distributions, **8:24**Deemed distributions of money, **8:35**Deemed sales of property to partner, **8:41**Deemed termination, effect of, **8:47**Definitions, **8:1, 8:6, 8:34**Depreciation election, **8:12**Depreciation recapture, **8:30**Disguised sale of property to partnership, **8:24**Dissolutions, **6:4**

Distributions

- generally, **8:34 to 8:41**
- assets distributed to partner in exchange for interest in other partnership assets, **23:7**
- capital as material income-producing factor, **8:40**
- current distributions, treatment of, **8:34, 8:36**
- deemed distributions of money, **8:35**

PARTNERSHIPS—Cont'd

Distributions—Cont'd

- deemed sales of property to partner, **8:41**
- definitions, **8:34**
- “hot assets,” treatment of, **8:38**
- liquidating distributions, treatment of, **8:37 to 8:39**
- marketable securities, distributions of, **8:36**
- mixing bowl distributions, **8:39**
- money, deemed distributions of, **8:35**
- operations of partnerships, **8:25 to 8:29**
- overview, **8:34**
- planning using partnerships, **8:49**
- property, distributions of, **8:36**
- retiring partners, distributions to, **8:40**
- tax advantages, **8:4**

Division of a partnership, **8:47**Donee as partner, **8:49**Double taxation, **8:2**

Election or option

- legal ramifications of formation, **8:10**
- tax ramifications of formation, **8:12**

Encumbered property, contributions of, **8:24**

Estate planning for real estate

- basis of property distributed from, **25:8**
- drafting partnership agreement, **25:13**
- sales to grantor trusts, **25:30**

Event, formation on happening of, **8:8**

Exchanges of partnership interests

- generally, **8:42 to 8:47**
- abandonment of partnership interest, **8:46**
- basis adjustments - Section 754 election, **8:45**
- conversion of partnership interests with same partnership, **8:43**
- deemed termination, effect of, **8:47**
- division of a partnership, **8:47**
- Jobs Growth and Tax Reconciliation Act of 2003, **8:44**
- sales or exchanges of partnership interests, generally, **8:44**
- termination of partnership, **8:47**
- trade of interest in one partnership for another, **8:42**
- upper-tier partnerships, **8:47**

Exclusion from partnership status, tax election for, **8:10**Expenses, treatment of, **8:14**Family partnerships, **8:49**Flexible allocations, **8:5**Flow-through of tax incidents, **8:2**Foreign person partner, FIRPTA withholding tax liability, **22:12**Guaranteed payments, **8:24, 8:32**Holding period, basis in property, **8:18**“Hot assets,” treatment of, **8:38**Installment method, election out of, **8:12**

PARTNERSHIPS—Cont'd

- Installment sales, **17:19**
- Intangible drilling costs, election to deduct, **8:12**
- Interests
 - disposition in taxable transaction, suspended passive losses allowed, **11:11**
 - partner's interest in partnership, **8:27**
 - portfolio income exclusion, **11:8**
 - sale by foreign persons, FIRPTA applicability, **22:7**
- Investor status, status of partners immaterial, **6:18**
- Jobs Growth and Tax Reconciliation Act of 2003, **8:44**
- Joint undertakings or ventures, **8:9**
- Legal ramifications of formation
 - generally, **8:6 to 8:11**
 - check-the-box regulations, impact of, **8:11**
 - coownership, contrast with, **8:9**
 - definitions, **8:6**
 - election for exclusion from partnership status, **8:10**
 - event, formation on happening of, **8:8**
 - exclusion from partnership status, tax election for, **8:10**
 - joint undertaking, contrast with, **8:9**
 - local law, **8:6**
 - overview, **8:6**
 - performance of certain acts, formation on, **8:8**
 - timing of formation, **8:8**
 - written agreement, **8:7**
- Like-kind exchanges, **4:11, 18:4, 18:5**
- Limitations on allowable losses, **8:31**
- Limited partnerships
 - generally, **6:5**
- Liquidating distributions, treatment of, **8:37 to 8:39**
- Liquidation of partnership, **8:16**
- Listed assets, **8:3**
- Local law, legal ramifications of formation, **8:6**
- Marketable securities, distributions of, **8:36**
- Minimum gain chargeback, **8:29**
- Mixing bowl distributions, **8:39**
- Money
 - deemed distributions of, **8:35**
 - tax ramifications of formation, **8:20**
- Mortgagor-mortgagee relationships. See index heading **MORTGAGES**
- Non pro rata distributions to partners, collapsible partnership provisions, **23:7**
- Nonrecourse liabilities, **8:16**
- Operations of partnerships
 - generally, **8:25 to 8:33**
 - accounting for property contributions, **8:30**
 - allocations attributable to nonrecourse liabilities, **8:28**

PARTNERSHIPS—Cont'd

- Operations of partnerships—Cont'd
 - as if made to a partner, **8:32**
 - change in partnership interests as affecting determination of distributive shares, **8:33**
 - curative allocations, traditional method with, **8:30**
 - depreciation recapture, **8:30**
 - distributive share of partnership items and "substantial economic effect," **8:25 to 8:29**
 - guaranteed payments, **8:32**
 - interest of partner in partnership, **8:27**
 - limitations on allowable losses, **8:31**
 - minimum gain chargeback, **8:29**
 - operating rules, generally, **8:30**
 - partnership payments to partners, **8:32**
 - remedial method, **8:30**
 - "substantial economic effect," **8:25 to 8:29**
 - traditional method, **8:30**
- Operations of partnerships, cash flow distributions, **8:24**
- Option. Election or option, above
- Organization expenses, **8:14**
- Pension trusts, **27:10**
- Performance of certain acts, formation on, **8:8**
- Planning using partnerships
 - capital as material income-producing factor, **8:49**
 - distributive share of donee, **8:49**
 - donee as partner, **8:49**
 - family partnerships, **8:49**
 - overview of family partnerships, **8:49**
 - publicly traded partnership, planning using, **8:48**
 - transfer to family member, **8:49**
- Preferred returns, **8:24**
- Property, distributions of, **8:36**
- Publicly traded, **11:13**
- Publicly traded partnership, planning using, **8:48**
- Real estate construction, portfolio income, **11:8**
- Receipt of partnership for money, other property or services, **8:19 to 8:21**
- Recourse liabilities, **8:16**
- Reimbursements of preformation expenditures, **8:24**
- Reinvestment upon involuntary conversion election, **8:12**
- Related to taxpayer, Section 1237 inapplicable, **23:4**
- Remedial method, operations of partnerships, **8:30**
- Retiring partners, distributions to, **8:40**
- Roll over election, **8:12**
- Safe harbor distributions, **8:24**

PARTNERSHIPS—Cont'd

- Sales
 - deemed sales of property to partner, **8:41**
 - exchanges of partnership interests, above transfers of property, below
- Services, receipt of partnership for, **8:21**
- Special rule for nonrecourse liability with interest guaranteed, **8:16**
- “Substantial economic effect,” **8:25 to 8:29**
- Syndication expenses, **8:14**
- Taking on liabilities, **8:16**
- Tax advantages
 - generally, **8:1 to 8:6**
 - contributions to property, no recognition of gain or loss, **8:3**
 - definitions, **8:1**
 - double taxation, **8:2**
 - flexible allocations, **8:5**
 - flow-through of tax incidents, **8:2**
 - listed assets, **8:3**
 - scope of chapter, **8:1**
- Tax advantages, distributions of property, no recognition of gain or loss, **8:4**
- Tax classification, **6:15**
- Tax ramifications of formation
 - generally, **8:12 to 8:21**
 - accounting method election, **8:12**
 - allocation of liability among partners, **8:16**
 - assumption of liabilities, **8:16**
- basis in property
 - generally, **8:15 to 8:21**
 - allocation of liability among partners, **8:16**
 - assumption of liabilities, **8:16**
 - character of property contributed to partnership, **8:17**
 - exceptions, **8:20**
 - holding period, **8:18**
 - liquidation of partnership, **8:16**
 - money or other property, receipt of partnership for, **8:20**
 - nonrecourse liabilities, **8:16**
 - receipt of partnership for money, other property or services, **8:19 to 8:21**
 - recourse liabilities, **8:16**
 - services, receipt of partnership for, **8:21**
 - special rule for nonrecourse liability with interest guaranteed, **8:16**
 - taking on liabilities, **8:16**
 - Tax Reform Act of 1984, **8:17**
- beginning expenses, **8:14**
- character of property contributed to partnership, **8:17**
- depreciation election, **8:12**
- elections, generally, **8:12**
- expenses, treatment of, **8:14**
- holding period, basis in property, **8:18**

PARTNERSHIPS—Cont'd

- Tax ramifications of formation—Cont'd
 - installment method, election out of, **8:12**
 - intangible drilling costs, election to deduct, **8:12**
 - liquidation of partnership, **8:16**
 - money or other property, receipt of partnership for, **8:20**
 - nonrecourse liabilities, **8:16**
 - optional adjustment to basis election, **8:12**
 - organization expenses, **8:14**
 - organizational expenses, treatment of, **8:14**
 - receipt of partnership for money, other property or services, **8:19 to 8:21**
 - recourse liabilities, **8:16**
 - reinvestment upon involuntary conversion election, **8:12**
 - roll over election, **8:12**
 - services, receipt of partnership for, **8:21**
 - special rule for nonrecourse liability with interest guaranteed, **8:16**
 - syndication expenses, **8:14**
 - syndication expenses, treatment of, **8:14**
 - taking on liabilities, **8:16**
 - Tax Reform Act of 1984, **8:17**
 - taxable year election, **8:12**
 - taxable years, **8:13**
- Tax Reform Act of 1984, **8:17**
- Taxable year, **8:12, 8:13**
- Termination of partnership, **8:47**
- Timing of formation, **8:8**
- Trade of interest in one partnership for another, **8:42**
- Transferability of interest, **6:4**
- Transfers of property
 - controlled partnerships, losses on sales or exchanges with respect to, **8:23**
 - debt-financed distributions, **8:24**
 - disguised sale of property to partnership, **8:24**
 - encumbered property, contributions of, **8:24**
 - guaranteed payments, **8:24**
 - operating cash flow distributions, **8:24**
 - overview, **8:22**
 - planning using partnerships, **8:49**
 - preferred returns, **8:24**
 - reimbursements of preformation expenditures, **8:24**
 - safe harbor distributions, **8:24**
 - sale of property to partnership, **8:23**
- Uniform Partnership Act, **6:4**
- Unrelated party sales to avoid dealer status, **23:5**
- Upper-tier partnerships, **8:47**
- Written agreement, legal ramifications of formation, **8:7**

PASSIVE ACTIVITIES

- Change in nature of, suspended losses not allowed, **11:11**
- Characterization of income, **11:3**
- Defined, **11:4, 11:5**
- Discharge of indebtedness income, **11:3**
- Disposition of
 - allocation of suspended losses, **11:3**
 - capital losses, **11:11**
 - entire interest disposed of requirement, **11:11**
 - installment sales, **11:11**
 - ordering of losses, **11:11**
 - related parties, **11:11**
 - Section 1031 exchanges, **11:11**
 - tax-free exchanges, **11:3, 11:11**
- Disposition of property used in one or more activities, **11:11**
- Distributions from pass-through entities, **11:3**
- Exclusions, **11:6**
- Income from recharacterization of, **11:10**
- Material participation, **11:7**
- Mortgagor-mortgagee relationship, interest expense on debt allocated to passive activity, **20:4**
- Participation by spouse, **11:7**
- Planning opportunities, **11:12**
- Portfolio income, separate accounting, **11:8**
- Publicly traded partnerships, **11:13**
- Real property trade or business, **11:12**
- Regrouping rules, **11:4**
- Rental activities, **11:6**
- Significant participation, **11:10**
- Tax attributable to, **11:3**
- Trade or business, **11:5**
- Trade or business requirement, **11:5**

PASSIVE ACTIVITY CREDITS

- Carryforward of excess, **11:3**
- Defined, **11:3**
- Disposition of activity, carried forward, **11:11**
- Low-income housing, phase-out rule, **11:6**
- Phase-in rules, **11:14**

PASSIVE ACTIVITY LOSSES

- Closely held C corporations, net active income offset by, **11:3**
- Defined, **11:3**
- Gift of interest in activity, donor's basis increased by, **11:11**
- Low-income housing credit, **16:9, 16:21**
- Phase-in rules, **11:14**
- Publicly traded partnerships, **11:13**
- Rehabilitation credit, **16:18, 16:21**
- Section 1031 exchange, **11:11**
- Taxable disposition of activity, **11:11**

PASSIVE INCOME

- Creation of, **11:12**
- Recharacterization, **11:10**

PASSIVE LOSS LIMITATION RULES

- Active losses, creation of, **11:12**
- Active participation, **11:6**
- Activity
 - defined, **11:4**
 - trade or business, **11:5**
- Appropriate economic unit, **11:4**
- Background, **11:1**
- Cancellation of indebtedness income, **11:11**
- Closely held C corporations
 - generally, **11:2**
 - material participation in activity, **11:7**
- Disaggregation election, **11:4**
- Disposition of passive activity
 - allocation of suspended losses, **11:3**
 - ordering of losses, **11:11**
 - related parties, **11:11**
- Legislative history, **11:4**
- Loans to entity by owner, **11:8**
- Management fees, self-charged items, **11:9**
- Material participation, **11:7**
- More than one activity, **11:4**
- Owner-employees, **11:2**
- Participation, **11:7**
- Passive activity credit, defined, **11:3**
- Passive activity loss, defined, **11:3**
- Passive income, creation of, **11:12**
- Personal service corporation
 - generally, **11:2**
 - material participation in activity, **11:7**
- Phase-in rules, **11:14**
- Planning opportunities, **11:12**
- Portfolio income
 - generally, **11:8**
 - passive loss offset limitations, **11:8**
 - recharacterization, **11:9**
- Property held for sale to customers, disposition, **11:10**
- Publicly traded partnerships, **11:13**
- Real property trade or business, **11:12**
- Recharacterization of passive income, **11:10**
- Rental activities, **11:6**
- Rental real estate activities, **11:7**
- S corporation shareholders, **11:6**
- Self-charged items, **11:9**
- Separate activity, **11:4**
- Significant participation activity test, **11:7**
- Substantially appreciated property, disposition, **11:10**
- Suspended passive losses, disposition of activity, **11:3**
- Taxpayers applicable to, **11:2**

PASSIVE LOSS LIMITATION RULES—Cont'd

- Undertakings, **11:4**
- Value-enhancing services, **11:10**

PASSIVE LOSSES

- Deductibility upon disposition of activity, **11:11**
- Installment sales, **17:7**
- Ordering of, taxable disposition of activity, **11:11**
- Suspension of, **11:2**

PASS-THROUGH ENTITIES

- Contribution of use of property by owner of interest in, **11:8**
- Limited liability companies, **6:6**
- Rehabilitation credit, pass-through election by lessor, **16:15**

PAYMENT

- Installment sales, **17:9, 17:10**

PAYROLL TAXES

- CARES Act, **App A**

PENALTIES

- Capital gains, qualified opportunity zones, **24:8**
- FIRPTA reporting requirements, failure to comply, **22:15**
- Qualified opportunity zones, **24:8**

PENSION TRUSTS

- Acquisition of indebtedness, **27:11**
- Affiliated support organizations, **27:12**
- Annuities, **27:5**
- Benefit associations, **27:3, 27:8**
- Chargebacks, **27:11**
- Contingent interest, **27:5**
- Controlled organizations, **27:12**
- Debt-financed property, income from, **27:11**
- Deductions to reach UBTI, **27:9**
- Disqualified holders of debt-financed property, **27:11**
- Dividends, **27:5**
- Dual use of facilities or personnel, **27:9**
- Exceptions to acquisition of indebtedness, **27:11**
- Exclusions from unrelated business taxable income (UBTI), **27:4 to 27:8**
- Fractions test, **27:11**
- Interest, **27:5**
- “Not substantially related” defined, **27:3**
- Offsets, **27:11**
- Partnerships, income from, **27:10**
- Qualified allocation, **27:11**
- Real estate investment trusts (REIT), **27:12**
- “Regularly carried on” defined, **27:3**
- Rental income, exclusions, **27:7**
- Rents from debt-financed property, **27:12**
- Royalties, exclusions, **27:6**
- Scope, **27:1**

PENSION TRUSTS—Cont'd

- Social clubs, **27:3, 27:8**
- Subsidiaries, income from, **27:12**
- Tax-exempt controlled entities, **27:12**
- Title-holding companies, **27:12**
- “Trade or business” defined, **27:3**
- Unrelated business taxable income (UBTI)
 - generally, **27:2 to 27:9**
 - annuities, **27:5**
 - benefit associations, **27:3, 27:8**
 - contingent interest, **27:5**
 - deductions to reach UBTI, **27:9**
 - disposition of property proceeds, exclusions, **27:8**
 - dividends, **27:5**
 - dual use of facilities or personnel, **27:9**
 - exclusions from, **27:4 to 27:8**
 - interest, **27:5**
 - “not substantially related” defined, **27:3**
 - “regularly carried on” defined, **27:3**
 - rental income, exclusions, **27:7**
 - royalties, exclusions, **27:6**
 - social clubs, **27:3, 27:8**
 - “trade or business” defined, **27:3**
 - trusts, **27:3**

PERCENTAGE LIMITATIONS ON DEDUCTIBILITY

- Charitable contributions of real estate interests, **26:4**

PERIOD COSTS

- Optional capitalization of, **1:10**

PERSONAL LIABILITY

- Partners, **6:4**

PERSONAL PROPERTY

- Associated with use of real property, FIRPTA, **22:6**
- Depreciation
 - modified accelerated cost recovery system, **14:8**
 - tax-exempt entity leasing, **14:24**
- Installment sales, **17:2**
- Like-kind exchanges, **18:6**

PERSONAL REAL ESTATE ACTIVITIES

- Investor status protection, **6:18**

PERSONAL RESIDENCE TRUSTS

- Estate planning for real estate, **25:17**

PERSONAL RESIDENCES

- See also index heading **PRINCIPAL RESIDENCE**
- Installment sales, **17:7**

PERSONAL SERVICE ACTIVITY

- Passive loss limitation rules, **11:7**

PERSONAL SERVICE CORPORATIONS

See also index heading **QUALIFIED PERSONAL SERVICE CORPORATIONS**

Accounting periods, **13:3, 13:4**

Change in status, passive losses allowable, **11:2**

Passive loss limitation rules

application to, **11:2**

material participation in activity, **11:7**

PERSONAL SERVICES

See also index heading **SERVICES**

Provided in connection with rental of property, **11:6**

Real property trade or business, **11:12**

PHASE-IN RULES

Passive loss limitation rules, **11:14**

PLACE OF PRINCIPAL EMPLOYMENT

Moving expense deduction, **4:4**

PLANNING FOR PARTNERSHIPS

Capital as material income-producing factor, **8:49**

Distributive share of donee, **8:49**

Donee as partner, **8:49**

Family partnerships, **8:49**

Overview of family partnerships, **8:49**

Publicly traded partnership, planning using, **8:48**

Transfer to family member, **8:49**

PLEDGES

Installment sales, **17:9, 17:15**

POINTS

Refinanced loans, **4:3**

POINTS PAID ON MORTGAGE LOAN

Loan placement charges

generally, **4:3**

moving expenses, deduction, **4:4**

prepaid interest, **4:3**

Principal residence, deduction, **4:3**

PORTFOLIO INCOME

Closely held C corporations, **11:2**

Deductible expenses reduction, **11:8**

Disposition of investment property, **11:8**

Dividend income, publicly traded partnerships, **11:13**

Ordinary course of trade or business excluded from, **11:8**

Partnerships, real estate construction, **11:8**

Passive activity income or loss computation, exclusion from, **11:8**

Recharacterization, passive loss rules, **11:9**

PORTFOLIO INVESTMENTS

Net passive income or loss computation, **11:3**

PREENACTMENT INTERESTS

Passive activities phase-in rules, **11:14**

PREFERRED RETURNS

Partnerships, **8:24**

PREMIUM ADJUSTMENTS

Estate planning for real estate, **25:11**

PREMIUMS

Foreign persons, **22:2**

PRE-OCTOBER 13, 1987 INDEBTEDNESS

Acquisition indebtedness, **4:7**

PREPAID INTEREST

Points paid on mortgage, principal residence, **4:3**

PREPAID RENT

Cash basis taxpayer, **21:4, 21:7**

Security deposit, **21:20**

Tax shelter, **21:4, 21:7**

Waiver of rent obtained in sale/leaseback, **21:19**

PRESIDENTIALLY DECLARED DISASTERS

Involuntary conversions, principal residences, **4:9**

PRESUMPTIONS

Limited partners, passive loss limitation rules, presumption of not active participant, **11:6**

PRICE-LEVEL ADJUSTMENT LOANS

Creative financing considerations, **24:2**

PRIMARILY TEST

Dealer distinguished from investor, **23:2**

Factors, **23:3**

PRINCIPAL PLACE OF BUSINESS

Home office deduction, **4:11**

Home storage of inventory, deduction of expenses, **4:12**

PRINCIPAL PLACE OF WORK

Moving expense deduction, **4:4**

PRINCIPAL RESIDENCE

See also index headings **PERSONAL RESIDENCE**; **QUALIFIED RESIDENCE**

Acquisition indebtedness, defined, **4:7**

Amount realized on disposition, defined, **4:17**

Attorneys fees, **4:3**

Basis reduction under principal residence indebtedness exception, **20:6**

Business use of, **4:10**

Casualty losses, deduction of, **4:8**

Classification of holding, **3:3**

Condominium unit as, **5:4**

Conversion to investment property, deduction of expenses, **4:15**

Conversion to or from rental use, Section 280A application, **4:13**

PRINCIPAL RESIDENCE—Cont'd

- Cooperative unit as, **5:10**
- Day care use, deduction of expenses, **4:14**
- Debt incurred after August 16, 1986, **4:7**
- Deduction, **4:7**
- Defined, **3:3, 4:7**
- Determination of, **4:7**
- Disposition
 - amount realized defined, **4:17**
 - character of gain or loss, **3:3**
 - exclusion of gain, **4:18**
- Dwelling units, **4:10**
- Exclusion of gain on sale or exchange, **4:18**
- Form of ownership, **4:2**
- Gain exclusion on sale, effect of, **4:18**
- Gain on sale
 - exclusion, **4:18**
- Home equity indebtedness, defined, **4:7**
- Home office deduction, **4:11**
- Home storage of inventory, **4:12**
- Improvements, indebtedness, points deductible, **4:3**
- Interest deduction limits, average loan balance, **4:7**
- Interest expenses, **4:3**
- Involuntary conversion
 - exclusion of gain, **4:18**
 - Presidentially declared disasters, **4:9**
 - qualified residence interest deduction, **4:9**
- Like-kind exchanges, **4:18**
- Loss on disposition, **4:17**
- Mixed use, **4:10**
- Mortgage interest, **4:7**
- Moving expenses, **4:4**
- Nonresident aliens
 - sale or exchange
 - nonrecognition provisions, **22:7**
 - withholding of tax not required, **22:9**
- Ownership form, **4:2**
- Points on mortgage loan, **4:3**
- Preexisting residence indebtedness grandfather clause application, **4:7**
- Principal place of business, home office deduction, **4:11**
- Purchase settlement costs, **4:3**
- Qualified residence interest deduction, **4:7**
- Real property taxes
 - deduction, **4:6**
 - defined, **4:6**
 - settlement cost, **4:3**
- Recognition of gain or loss on sale or disposition, **4:17**
- Recordation fees, **4:3**
- Rental of, expense deductions, **4:7, 4:13**

PRINCIPAL RESIDENCE—Cont'd

- Sale of
 - exclusion of gain, **4:18**
 - gain or loss recognition, **4:17**
- Section 121, exclusion of gain on sale, **4:18**
- Section 280A application
 - dwelling unit considered residence, conditions, **4:7**
 - home office, **4:11**
 - home storage, **4:12**
 - mixed use of residence, **4:10**
 - rental use, **4:13**
- Section 1001, computation of gain or loss on sale or other disposition, **4:17**
- Service charge paid to lender, **4:3**
- Settlement costs, **4:3**
- Term interest ownership, defined, **4:17**
- Theft losses, deduction of, **4:8**
- Title, manner of holding, **4:2**
- Title reports, **4:3**
- Transfer taxes, **4:3**
- Vacation homes, **4:13**

PRIVATE ANNUITY SALES

- Estate planning for real estate, **25:27**

PRIVATE PLACEMENTS

- Publicly traded partnership interests, **11:13**

PROFESSIONALS, SELF-EMPLOYED

- Home office deduction, **4:11**

PROFIT ALLOCATION

- Corporations, **6:7**
- Limited liability companies, **6:6**

PROFITS

- Foreign persons, income not connected with conduct or trade or business in U.S., **22:2**

PROFITS AND LOSSES

- Limited partners, sharing, **6:5**
- Partners, sharing of, **6:4**

PROMOTIONAL DISCOUNTS

- Cooperative unit purchase, **5:11**

PROPERTY, CONTRIBUTIONS OF

- Charitable contributions of real estate interests, **26:6**

PROPERTY ACQUIRED BY EXERCISE OF OPTION

- Holding period, **2:6**

PROPERTY ACQUIRED BY GIFT

- See index heading GIFTS

PROPERTY ACQUIRED BY INHERITANCE

- See index heading INHERITED PROPERTY

PROPERTY HELD FOR INVESTMENT

Sale of, capital gain or loss, **23:2**

PROPERTY HELD FOR SALE TO CUSTOMERS IN ORDINARY COURSE OF BUSINESS

Dealer considerations, **23:3**

Defined, **3:5**

Disposition of passive activity, **11:11**

Gain from sale or disposition, publicly traded partnership qualifying income, **11:13**

Passive activity, disposition, **11:10**

Rental incidental to, passive loss limitation rules, **11:6**

Sale of, ordinary income or loss, **23:2**

PROPERTY TAXES

See index heading **REAL ESTATE TAXES**

PROPERTY USED IN TRADE OR BUSINESS

Defined, **3:6**

Gain or loss determination, **3:6**

Real estate, **3:6**

Rental real estate, **3:6**

Section 1231 application, **3:6**

PROPRIETORSHIPS

Defined, **6:3**

Equity financing of, restrictions, **6:11**

Income and deductions, reporting, **6:17**

Operating losses, **6:17**

Transfer of business, **6:3**

PUBLICLY TRADED PARTNERSHIPS

Generally, **11:13**

Planning using, **8:48**

PUERTO RICO ECONOMIC ACTIVITY CREDIT

Generally, **15:1**

PURCHASE OF PRINCIPAL RESIDENCE

Form of ownership considerations, **4:2**

PURCHASED PROPERTY

Holding period

generally, **2:2**

partner from partnership, **2:8**

PURCHASER/LESSOR

Sale/leaseback

deduction attributable to ownership, **21:8, 21:13**

waiver of rent

generally, **21:19**

considered prepaid rental income, **21:19**

PURPOSE IN ACQUIRING PROPERTY

Dealer status determination, **23:3**

PURPOSE IN HOLDING PROPERTY

Condominium unit owners, deduction, **5:4**

Cooperative housing corporation, deemed additional rent on lease of land and building, **5:10**

Cooperative tenant-stockholders, deduction, **5:10**

Investor status determination, **6:18**

PUTS AND CALLS

Creative financing considerations, **24:2**

Estate planning for real estate, **25:21**

Q

QEAA REQUIREMENTS

Like-kind exchanges, **18:13**

QPAI

Operation of real estate, **12:7**

QSST ELECTION STATEMENT

S corporations, **9:19**

QTIP TRUSTS

Estate planning for real estate, **25:40**

QUALIFICATION

Real estate investment trusts (REIT), **10:3**

QUALIFIED EDUCATIONAL EXPENSES

Qualified indebtedness, **4:7**

QUALIFIED ESCROW ACCOUNTS

Like-kind exchanges, **18:12**

QUALIFIED IMPROVEMENT PROPERTY

CARES Act, **App A**

QUALIFIED INDEBTEDNESS

Interest deduction, **4:7**

QUALIFIED LONG-TERM REAL PROPERTY

Build-out allowances, **21:5**

QUALIFIED MEDICAL EXPENSES

Qualified indebtedness, **4:7**

QUALIFIED OPPORTUNITY ZONES

Capital gains, **24:8**

Penalties, **24:8**

QUALIFIED PRODUCTION ACTIVITIES INCOME (QPAI) DEDUCTION

Operation of real estate, **12:7**

QUALIFIED RENTAL PERIOD

Residence converted to or from rental use, Section 280A application, **4:13**

QUALIFIED REPLACEMENT PROPERTY

Involuntary conversions, **19:9, 19:10**

QUALIFIED RESIDENCE INTEREST

Consolidation, **4:7**

QUALIFIED RESIDENCE INTEREST**—Cont'd**

- Deduction for, **4:7**
- Defined, **4:7**
- Homestead laws, **4:7**
- Involuntary conversions, **4:9**

QUALIFIED RESIDENCE PURCHASE EXPENSE

- Moving expenses, **4:4**

QUALIFIED RESIDENCES

- See also index heading PRINCIPAL RESIDENCE
- Acquisition indebtedness, **4:7**
- Debt incurred after August 16, 1986, **4:7**
- Defined, **4:7**
- Home equity indebtedness, **4:7**
- Home office use, **4:7**
- Interest deduction, **4:7**
- Vacation home use, **4:7**

QUALIFIED SUBCHAPTER S TRUST (QSST)

- Estate planning for real estate, **25:15**

QUALIFYING INCOME

- Publicly traded partnerships, **11:13**

QUID PRO QUO CONTRIBUTIONS

- Charitable contributions of real estate interests, **26:20**

R**READILY TRADABLE ON SECONDARY MARKET**

- Publicly traded partnerships, **11:13**

REAL ESTATE CONSTRUCTION

- Partnerships, portfolio income, **11:8**
- Separate activity from rental, passive loss limitation rules, **11:4**

REAL ESTATE DEVELOPERS AND SUBDIVIDERS

- See index heading DEVELOPERS AND SUBDIVIDERS

REAL ESTATE HOLDINGS

- Classification, **3:2**
- Gain or loss on sale, **3:4**

REAL ESTATE INVESTMENT TRUST INCOME

- Publicly traded partnerships, **11:13**

REAL ESTATE INVESTMENT TRUSTS (REIT)

- Accounting period, **10:3**
- Bylaws, **10:17**
- Certificate of incorporation, **10:16**
- Character of assets requirements, **10:5**
- Distribution requirements, **10:12**

REAL ESTATE INVESTMENT TRUSTS (REIT)—Cont'd

- Dividends
 - foreign persons, election to treat as income from conduct of trade or business in U.S. not applicable, **22:2**
 - portfolio income, **11:8**
- Domestically controlled, interest is not U.S. real property interest, **22:6**
- Election of REIT status, generally, **10:3**
- Foreclosure property, income from, **10:10**
- Foreign investors and investments, **10:15**
- Gains from prohibited transactions, **10:11**
- Gross income tests, **10:7**
- Independent contractors, supplemental schedules, **10:20**
- Interest income, **10:9**
- Minimum distribution requirement, **10:12**
- Nondomestically controlled, FIRPTA applicability, **22:7**
- Non-REIT earnings and profits, distribution of, **10:12**
- Organizational structure, **10:4**
- Overview, **10:2**
- Pension trusts, **27:12**
- Prohibited transactions, gains from, **10:11**
- Qualification, generally, **10:3**
- Recent developments, **10:2**
- Recordkeeping, **10:3**
- Reelection of REIT status, generally, **10:3**
- Rental income
 - generally, **10:8**
 - supplemental schedule regarding, **10:21**
- Reporting requirements, **10:3**
- Requirements, generally, **10:3**
- Revocation of REIT status, generally, **10:3**
- Sales of real estate assets, gains from, **10:11**
- Scope of chapter, **10:1**
- Shareholders, **10:14**
- Source of income requirements, **10:6**
- Supplemental schedules
 - independent contractors, **10:20**
 - rental income, supplemental schedule regarding, **10:21**
- Taxation
 - generally, **10:3**
 - foreign investors and investments, **10:15**
 - REITs, generally, **10:13**
 - shareholders, **10:14**
- Termination of REIT status, generally, **10:3**

REAL ESTATE RENTAL PROJECTS

- Passive loss limitation rules, **11:5**

REAL ESTATE TAXES

- Tenant's payment of, **21:15**

REAL PROPERTY

- FIRPTA, general rule, **22:3**
- Foreign persons election to have income from taxed as connected with conduct of trade or business in U.S., **22:2**
- Gain or loss from disposition of interests in, foreign persons, **22:2**
- Installment sales, **17:2**
- Like-kind exchanges, **18:6**
- Management of by foreign person, conduct of trade or business, **22:2**
- Personal property associated with use of, **22:6**
- Rental income, foreign persons, **22:2**

REAL PROPERTY HELD FOR INVESTMENT

- Capital gain treatment on sale, **23:3**

REAL PROPERTY HELD FOR SALE TO CUSTOMERS IN ORDINARY COURSE OF BUSINESS

- Ordinary income or loss on sale, **23:3**
- Primarily test, **23:3**

REAL PROPERTY RENTS

- Publicly traded partnership qualifying income, **11:13**

REAL PROPERTY TAXES

- See also index heading **REAL ESTATE TAXES**
- Acquisition of real estate, **12:5**
- Construction of real estate, **12:11**
- Cooperatives, **5:10**
- Defined, **4:3, 4:6**
- Operation of real estate, **12:17**
- Principal residence
 - deduction, **4:6**
 - settlement cost, **4:3**
 - timing, **4:6**
- Principal residence, purchase, **4:3**
- Tax year, **4:3**

REAL PROPERTY TRADE OR BUSINESS

- Passive loss rules, **11:12**

REAL PROPERTY USED IN TAXPAYER'S TRADE OR BUSINESS

- Real estate taxes paid by tenant, **21:15**

REALLOCATION OF INCOME

- Accounting methods, **13:16**

REBATES

- Recovery, CARES Act, **App A**

RECAPITALIZATIONS

- Estate planning for real estate, **25:30**

RECAPTURE

- Computing recapture, **14:17**
- Depreciation
 - computing recapture, **14:17**

RECAPTURE—Cont'd

- Depreciation—Cont'd
 - dispositions, **14:16**
 - exemptions, **14:16**
 - overview, **14:15**
 - post-1986 recapture, **14:18**
- Dispositions, **14:16**
- Exemptions, **14:16**
- Investment tax credits. See index heading **INVESTMENT TAX CREDITS**
- Low-income housing credit, **16:10**
- New markets tax credit, **16:30**
- Post-1986 recapture, **14:18**
- Rehabilitation credit, **16:20**
- Section 467, property subject to long-term agreement or leaseback disposed of, **21:2, 21:8**

RECEIPT OF PROPERTY

- Like-kind exchanges, **18:12**

RECEIPTS

- Partnership receipt for money, other property or services, **8:19 to 8:21**

RECHARACTERIZATION OF PASSIVE INCOME

- Rules, **11:10**

RECIPROCAL TRANSFERS OF PROPERTY

- Like-kind exchanges, **21:8, 21:13**

RECOGNITION AND VALUATION

- Basis, **1:21**

RECOGNITION EVENTS

- Installment sales, **17:13 to 17:15**

RECORDATION FEES

- Principal residence purchase, **4:3**

RECORDKEEPING

- Charitable contributions of real estate interests, **26:19**
- Real estate investment trusts (REIT), **10:3**

RECOURSE DEBT

- Mortgagor-mortgagee relationship, foreclosure, **20:9**
- Partnerships, **8:16**

RECREATION

- Charitable contributions of real estate interests, **26:16**

RECURRING ITEM EXCEPTION

- Operation of real estate, **12:14**

REDEMPTIONS OF STOCK

- Collapsible corporation stock, **23:6**
- Foreign corporations, distribution of U.S. real property interests gain recognition, **22:7**

REDEMPTIONS OF STOCK—Cont'd

Property received by shareholder, holding period, **2:9**

U.S. real property holding company, **22:12**

REELECTION OF REIT STATUS

Real estate investment trusts (REIT), **10:3**

REFINANCED LOANS

Points, **4:3**

REFINANCING OF INDEBTEDNESS

Acquisition indebtedness, **4:7**

Qualified residence, **4:7**

REFINANCING OF MORTGAGE

Points paid, allocation, **4:3**

REFINED COAL FACILITIES

Investment tax credits, **15:5**

REFUNDABLE CREDITS

Generally, **15:1**

REGISTERED LIMITED LIABILITY PARTNERSHIP

Formation, **6:9**

“REGULARLY CARRIED ON”

Defined, **27:3**

REGULATED INVESTMENT COMPANIES

Dividends, portfolio income, **11:8**

REHABILITATION

Credit. See index heading REHABILITATION CREDIT

Depreciation, **14:12**

Operation of real estate, **12:20**

REHABILITATION CREDIT

Generally, **16:1, 16:11 to 16:21**

Adjusted basis, **16:13, 16:17, 16:21**

Allocation of credit, **16:21**

Alternative minimum tax limitations, **16:18**

At-risk rule limitations, **16:18, 16:21**

Basis, **16:13, 16:15, 16:17, 16:21**

Building defined, **16:13**

Calculating the credit, **16:14**

Combining credits, **16:21**

Common transactional structure, **16:11**

Computation of credit, **16:21**

Construction loans, **16:12**

Credit percentage, **16:14, 16:21**

Differences between low-income housing credit and rehabilitation credit, **16:20, 16:21**

Disqualified uses of projects, **16:19**

External walls defined, **16:13**

Filings, **16:20**

Income implications, **16:15**

Internal walls defined, **16:13**

Lessees, treatment of, **16:15**

REHABILITATION CREDIT—Cont'd

Limitations on taking credit, **16:18**

Low-income housing credit compared and contrasted, **16:20, 16:21**

Passive activity loss rules, **11:6, 16:18, 16:21**

Pass-through election by lessor, **16:15**

Prior expenditures treated as incurred by purchaser, **16:12**

Property type restrictions, **16:21**

Publicly traded partnerships, **11:13**

Qualified rehabilitation expenditure defined, **16:12**

Qualifying for the credit, **16:12, 16:13**

Recapture potential, **16:20**

Retention of internal structural framework, **16:13**

Soft costs, inclusion of, **16:12**

Substantial rehabilitation test, **16:13, 16:21**

Timing of credit, **16:16**

Timing of expenditures, **16:12, 16:13**

Use restrictions, **16:21**

Walls, definition of external and internal walls, **16:13**

REIMBURSEMENTS

Partnerships, **8:24**

REINVESTMENT

Basis, **1:5**

Involuntary conversions, reinvestment in replacement property, **19:9**

Partnerships, **8:12**

REIT

See index heading REAL ESTATE INVESTMENT TRUSTS

RELATED PARTIES

Disposition of interest in activity, suspended passive losses, **11:11**

Exchange of lease

generally, **21:21**

ordinary income treatment of gain

generally, **21:13**

Improvements made to tract of real property, **23:4**

Leases, landlord and tenant, **21:3, 21:9**

Like-kind exchanges, **18:10**

RELOCATION

Moving expenses, **4:4**

REMAINDER INTERESTS

Charitable contributions of real estate interests, **26:15**

Holding period, **2:5**

Interest in real property other than interest solely as creditor

generally, **22:6**

REMEDIATION OF LAND

Operation of real estate, **12:21**

**RENEWABLE ELECTRICITY PRODUCTION
TAX CREDIT**

Investment tax credits, **15:5**

RENEWAL OPTION

Leasebacks, like-kind exchanges, **21:8**

RENTAL ACTIVITIES

Active participation in, **11:6**

Defined, **11:6**

Exceptions, **11:6**

Passive activities, **11:6**

Real property trade or business, **11:12**

Recharacterization of passive income, **11:10**

RENTAL EXPENSES

Condominium, **5:4**

RENTAL INCOME

Pension trusts, **27:7**

Real estate investment trusts (REIT)

generally, **10:8**

supplemental schedule regarding, **10:21**

RENTAL POOL LIMITED PARTNERSHIP

Resort condominium, **5:8**

RENTAL POOL UNIT

Residence exclusion under Section 280A, **4:10**

RENTAL PROPERTY

Condominiums, **5:4**

Deduction of interest on mortgage debt, **20:4**

Nonrecognition of gain on sale, effect of, **4:15**

Passive activities, material participation, **11:7**

Section 212 applicability, deduction of expenses, **4:15**

Section 280A, **4:13**

Temporary rental, deduction of expenses, **4:15**

RENTAL REAL ESTATE ACTIVITIES

Material participation, **11:7**

Passive loss limitation rules, **11:6**

Real property trade or business, **11:12**

RENTAL UNDERTAKINGS

Passive loss limitation rules, **11:4**

RENTS

Accrual of

generally, **21:2, 21:8**

Section 467 agreements, **21:8**

Additional rents

improvements made by tenant, **21:18**

landlord's expenses paid by tenant, **21:14, 21:15**

landlord's income taxes paid by tenant, **21:15**

real estate taxes paid by tenant, **21:15**

security deposits, **21:20**

RENTS—Cont'd

Additional rents—Cont'd

tenant's payments in lieu of repair obligations, **21:17**

waiver of rent, sale/leaseback transactions, **21:19**

Advance, **21:4, 21:7**

Allocation of the agreement approach, **21:2, 21:8**

Constant rental approach, **21:2, 21:8**

Deduction of

generally, **21:2, 21:8**

gift/leasebacks, **21:7, 21:12**

related parties, **21:3, 21:9**

Disguised dividends, **21:5, 21:10**

Disguised purchases, **21:6, 21:11**

Foreign persons

generally, **22:2**

income not connected with conduct of trade or business in U.S., **22:2**

Improvements by tenant to leased premises, **21:18**

Interest included in

generally, **21:11**

lease recharacterized as sale, **21:6**

Leveling of

generally, **21:8**

rental agreements under Section 467, **21:2**

Payments to landlord in lieu of obligation to make repairs, **21:17**

Prepaid, cash basis taxpayer, **21:4, 21:7**

Reduction to induce tenants, **21:5**

Sale/leaseback transactions

waiver of rent

generally, **21:19**

received by seller/tenant, **21:19**

Security deposits, **21:20**

Treatment of, **21:6**

RENTS FROM DEBT-FINANCED PROPERTY

Pension trusts, **27:12**

RENT-UP FEES

Operation of real estate, **12:25**

REPAIRS

Operation of real estate, **12:20**

Tenant's payment to landlord in lieu of obligation to make repairs, **21:17**

REPLACEMENT COST

Estate planning for real estate, **25:10**

REPLACEMENT PROPERTY

See also index heading QUALIFIED REPLACEMENT PROPERTY

Involuntary conversions

generally, **19:8**

holding period, **2:7**

REPLACEMENT PROPERTY—Cont'd

- Like-kind exchanges
 - identification and receipt of, **18:12**
 - loans to purchaser for, **18:15**

REPORTING REQUIREMENTS

- Charitable contributions of real estate interests, **26:20**
- Low-income housing credit, **16:4, 16:9**
- Real estate investment trusts (REIT), **10:3**

REPRODUCTION COST

- Estate planning for real estate, **25:10**

RESERVED ESTATES

- Waiver of rent characterized as
 - generally, **21:19**
 - sale/leasebacks, **21:19**

RESERVES FOR FUTURE MAINTENANCE EXPENSES

- Condominiums, tax treatment, **5:5**

RESIDENCES

- Generally, **3:1**
- See also index heading **PRINCIPAL RESIDENCES**
- Conversion to investment property, deduction of expenses, **4:15**
- Conversion to or from rental use, Section 280A applicable, **4:13**
- Day care use, deduction of expenses, **4:14**
- Home office deduction, **4:11**
- Interest deduction limits, average loan balance, **4:7**
- Involuntary conversion, Presidentially declared disasters, **4:9**
- Lodging furnished to employee by employer, personal use not attributable to employer, **4:13**
- Personal use, attribution rules, **4:13**
- Rental of, deduction of expenses, **4:13**
- Section 280A application, **4:10**

RESIDENTIAL LOTS

- Installment sales, **17:22**

RESIDENTIAL MORTGAGES

- Homestead laws, **4:7**

RESIDENTIAL RENTAL PROPERTY

- Holding period, applicable percentage, **2:10**

RESIDENTIAL TRANSFERS

- U.S. real property interests, withholding of tax not required, **22:9**

RESORT CONDOMINIUMS

- Rental pool limited partnership formation, **5:8**

RETAIL SPACE

- Build-out allowances, **21:5**

RETAIL SPACE—Cont'd

- Improvements by tenant, **21:18**

RETAINED INTERESTS

- Estate planning for real estate
 - gifted property, **25:6**
 - grantor retained annuity trusts and grantor retained unitrusts, generally, **25:18 to 25:22**
 - reductions in valuation through, **25:16**
- Gifted property, **25:6**
- Grantor retained annuity trusts and grantor retained unitrusts, generally, **25:18 to 25:22**
- Reductions in valuation through, **25:16**

RETIREMENT

- CARES Act, **App A**
- Partners
 - dissolution of partnership, **6:4**
 - payments to, Section 751(b) not applicable, **23:7**
- Proprietors, transfer of business, **6:3**

RETIRING PARTNERS

- Distributions to, **8:40**

RETURN REQUIREMENTS

- Charitable contributions of real estate interests, **26:19**

REVENUE ACT OF 1987

- Publicly traded partnerships taxed as corporations, **11:13**
- Qualified residence interest, **4:7**

REVERSE LIKE-KIND EXCHANGES

- Like-kind exchanges, **18:13**

REVERSIONARY INTERESTS

- Interest in real property other than interest solely as creditor, **22:6**

REVIEW RESPONSIBILITIES OF STATE AGENCIES

- Low-income housing credit, **16:4**

REVISED UNIFORM LIMITED PARTNERSHIP ACT OF 1976

- Generally, **6:5**
- Admission of new partners, **6:11**
- Provisions, **6:5**

REVOCATION

- Board of Directors of S corporation resolution, **9:14**
- Consent to revocation by S corporations, **9:16**
- Depreciation, **14:12**
- Installment sales, **17:4**
- Letter transmitting revocation of S corporation election, **9:17**
- Real estate investment trusts (REIT), **10:3**

REVOCATION—Cont'd

- S corporations
 - Board of Directors resolution, **9:14**
 - consent to revocation, **9:16**
 - letter transmitting revocation of S corporation election, **9:17**
 - statement of, **9:15**
 - status as S corporation, generally, **9:3**
- Statement of S corporation revocation, **9:15**
- Status as S corporation, generally, **9:3**

ROLL OVER ELECTION

- Partnerships, **8:12**

ROLLOVER OF GAIN

- Condominium units, **5:4**
- Cooperatives, **5:10**

ROYALTIES

- Intangible personal property, foreign persons, **22:2**
- Mineral resources, foreign persons, **22:2**
- Pension trusts, **27:6**
- Portfolio income classification, **11:8**

RULE OF 78S

- Operation of real estate, **12:23**

S

S CORPORATIONS

- Accounting method, **9:11**
- Accounting periods, **13:3, 13:4**
- Asset sales, taxable distributions treated as, **9:8**
- Basis of shareholder for S corporation shares, **9:6**
- Board of Directors resolutions, generally, **9:12, 9:14**
- Cash method of accounting, use of, **9:11**
- Consent to revocation, **9:16**
- Contribution of use of property by shareholder, passive loss limitation rules, **11:6**
- Disposition of all stock in taxable transaction, suspended passive losses allowed, **11:11**
- Distributions to S corporation stockholders, **9:7, 9:8**
- Double taxation avoided, **6:16**
- Election of S corporation status, generally, **9:3**
- Estate planning for real estate, **25:15, 25:30**
- Fringe benefit limitations, **9:9**
- Income or loss determination to be recognized by S corporation shareholders, **9:5**
- Letters
 - revocation of S corporation election, letter transmitting, **9:17**
 - S corporation election form, letter transmitting, **9:13**
- Losses, **6:7, 6:17, 9:5**

S CORPORATIONS—Cont'd

- Mortgages, bankruptcy and insolvency exception to inclusion of cancellation indebtedness in income, **20:5**
- Operating losses, deductibility, **6:17**
- Prerequisites to election, **9:2**
- QSST election statement, **9:19**
- Revocation
 - Board of Directors resolution, **9:14**
 - consent to revocation, **9:16**
 - letter transmitting revocation of S corporation election, **9:17**
 - S corporation status, generally, **9:3**
 - statement of, **9:15**
- S corporation election form, letter transmitting, **9:13**
- Scope of chapter, **9:1**
- Shareholders
 - agreement, **9:18**
 - basis of shareholder for S corporation shares, **9:6**
 - distributions to S corporation stockholders, **9:7, 9:8**
 - loss determination to be recognized by S corporation shareholders, **9:5**
 - operating loss deduction, **6:17**
 - passive loss limitation rules, contribution of use of property by shareholder, **11:6**
- Statement of revocation, **9:15**
- Stock, portfolio income exclusion, **11:10**
- Taxable year, **9:10**
- Taxation
 - generally, **6:7**
 - asset sales, taxable distributions treated as, **9:8**
 - distributions to S corporation stockholders, **9:7, 9:8**
 - S corporations, generally, **9:4**
 - taxable year, **9:10**
- Termination of S corporation status, generally, **9:3**
- Unrelated parties, dealer status avoided, **23:5**

SAFE HARBORS

- Like-kind exchanges, **18:12, 18:13**
- New markets tax credit, **16:24**
- Partnerships, **8:24**
- Publicly traded partnerships, readily tradable, **11:13**
- Rent increases not motivated by tax avoidance, **21:2, 21:8**

SALARIES

- Foreign persons, income not connected with conduct of trade or business in U.S., **22:2**

SALE OF PROPERTY

- Frequency of, dealer status determined, **23:3**
- Lease recharacterized as, **21:6, 21:11**

SALE OF PROPERTY—Cont'd

- Purpose for, dealer status determined, **23:3**
- Unamortized lease acquisition costs
 - generally, **21:2**
 - added to basis, **21:9**
- Unrelated parties, dealer status avoided, **23:5**

SALE OF REAL ESTATE

- Investor status, **6:18**

SALE/LEASEBACKS

- Corporation and controlling shareholder,
 - disguised dividends, **21:5, 21:10**
- Creative financing considerations, **24:6**
- Financing transactions, **21:8, 21:13**
- Waiver of rent
 - obtained by seller/tenant, prepaid rental income to purchaser/landlord, **21:19**
 - prepaid rental income to purchaser/landlord, **21:19**

SALES ACTIVITIES

- Primarily test, dealer status, **23:3**

SALES AGENTS

- Unrelated party sales to avoid dealer status, **23:5**

SALES MANAGER

- Home office deduction denied, **4:11**

SALES OF REAL ESTATE ASSETS

- Real estate investment trusts (REIT), **10:11**

SALES OR EXCHANGES

- See also index heading **EXCHANGE OF PROPERTY**
- Basis, **1:16**
- Cancellation of lease fee, **21:13**
- Compromise or collection of debt, **3:4**
- Installment sales. See index heading **INSTALLMENT SALES**
- Limited liability company interests, termination, **6:6**
- Partnership interests, collapsible partnerships, **23:7**
- Principal residence, exclusion of gain, **4:18**
- Section 1231, **3:6**
- Stock redemption treated as, holding period, **2:9**

SALES TO GRANTOR TRUSTS

- C corporations, **25:30**
- Estate planning for real estate
 - generally, **25:28 to 25:30**
 - C corporations, **25:30**
 - partnerships, **25:30**
 - recapitalizations, **25:30**
 - S corporations, **25:30**
 - split purchases, **25:29**
- Partnerships, **25:30**
- Recapitalizations, **25:30**
- S corporations, **25:30**

SALES TO GRANTOR TRUSTS—Cont'd

- Split purchases, **25:29**

SATISFACTION OF DEBT

- Basis, **1:6**

SECOND RESIDENCE

- Qualified residence interest, **4:7**

SECTION 38

- Investment tax credits, **15:2**

SECTION 45

- Investment tax credits, allocation of Section 45 credits, **15:5**

SECTION 45K

- Investment tax credits, coordination of renewable electricity production tax credit with Section 45K, **15:5**

SECTION 121

- Election to exclude gain from sale of exchange of principal residence, **4:18**

SECTION 165(i)

- Disaster loss election, **4:8**

SECTION 178

- Amortization of lease acquisition expenses, **21:3, 21:10**

SECTION 183

- Activity not engaged in for profit
 - condominium unit rental, **5:4**

SECTION 212

- Residence converted to investment property, deduction of expenses, **4:15**

SECTION 216

- Deductions allowed cooperative housing corporation tenant-stockholders, **5:10**

SECTION 217

- Moving expenses, deduction, **4:4**

SECTION 269A

- Personal service corporation defined, **11:2**

SECTION 277

- Allocation of expenses between membership and nonmembership services, **5:13**

SECTION 280A

- Generally, **4:7**
- Business use of principal residence, **4:10 to 4:12**
- Condominium units, **5:4**
- Day care use of residence, **4:14**
- Rental of residence, **4:13**
- Residence use requirement, **4:13**

SECTION 318

Stock ownership attribution rules, employee-owners of personal service corporation, **11:2**

SECTION 332

Corporate liquidations, holding period of property received by shareholders, **2:9**

SECTION 333

Holding period of property received by shareholder, **2:9**

Repeal, **2:9**

Small corporations, transitional rule, **2:9**

SECTION 341

Collapsible corporations, **23:6**

SECTION 351

Modified accelerated cost recovery system, **14:11**

Split holding periods, **2:9**

Tax-free incorporations

foreign corporations

branch profits tax, **22:17**

U.S. real property interests exchanged, nonrecognition provisions, **22:7**

SECTION 355 DISTRIBUTION

U.S. real property interests transferred, nonrecognition provisions, **22:7**

SECTION 361

Modified accelerated cost recovery system, **14:11**

SECTION 467

Accrual method for rental payments, **21:8**

Landlords and tenants required to adopt accrual method with respect to rent payments, **21:2**

Safe harbors, **21:2**

SECTION 467 RENTAL AGREEMENTS

Defined, **21:2, 21:8**

SECTION 469

Passive loss limitation provisions, **11:1**

Phase-in rules, **11:14**

Publicly traded partnerships, **11:13**

SECTION 469(e)(1)

Portfolio income excluded from passive activity loss or income computation, **11:8**

SECTION 469(g)(1)

Fully taxable qualification, **11:11**

SECTION 469(i)

Nonpassive income offset by passive losses, **11:6**

SECTION 469(j)(2)

Employee-owners defined, **11:2**

SECTION 469(j)(4)

Allocation of suspended passive activity losses, **11:3**

SECTION 469(j)(8)

Rental activity defined, **11:6**

SECTION 469(j)(9)

Increase in basis of passive activity property transferred in taxable disposition, **11:11**

SECTION 501

Tax-exempt organizations, condominium unit owners association, **5:6**

SECTION 528

Homeowners associations, tax-free status, **5:7**

SECTION 721

Modified accelerated cost recovery system, **14:11**

SECTION 731

Modified accelerated cost recovery system, **14:11**

SECTION 751

Collapsible partnership provisions, **23:7**

SECTION 751 PROPERTY

Collapsible partnerships, **23:7**

SECTION 751(b)

Partnership distributions of assets to partner in exchange for interests in other partnership assets, **23:7**

SECTION 897(i)

Election by foreign corporation holding U.S. real property interests to be treated as a domestic corporation, **22:7**

SECTION 1001

Computation of gain or loss on disposition of property, **4:17**

SECTION 1031

Exchange, disposition of interest in activity, suspended losses offset income of new activity, **11:11**

Like-kind exchanges, **21:8**

Modified accelerated cost recovery system, **14:11**

SECTION 1034

Principal residence defined, **4:7**

SECTION 1221

Capital assets defined, **3:4**

SECTION 1231

Capital asset treatment of lease, **21:13, 21:21**

Determination of gain or loss, **3:6**

Sale or exchange requirement, **3:6**

Treatment of gains and losses from sales or exchanges of property use in a trade or business, **2:2, 3:4**

SECTION 1231 ASSETS

Examples, **3:6**

Holding period, tax-free exchange, **2:7**

SECTION 1237

Noncorporate taxpayers, sales of subdivided real estate qualifying for long-term capital gains treatment, **23:2**

Requirements for qualification, **23:4**

SECTION 1241

Cancellation of lease treated as exchange, **21:13**

SECTION 1244

Small business corporation stock losses, **6:7**

SECTION 1245

Gain from disposition of depreciable property, **3:6**

SECTION 1250 PROPERTY

Depreciation recapture, holding period rules, **2:10**

SECTION 1445

Withholding requirements under the Foreign Investment in Real Property Tax Act of 1980, **22:8**

SECTION 1445(e)(1) ACCOUNT

FIRPTA withholding tax, alternative rule, **22:12**

SECTION 2040

Jointly held property included in decedent's estate, tracing rules, **4:2**

SECTION 6039C

FIRPTA reporting requirements, penalties for failure to comply, **22:15**

SECURED PARTIES

Homestead laws, restricted rights, **4:7**

SECURITIES

See also index heading **STOCK**

Beneficial interest in business trust, **6:8**

SECURITIES EXCHANGE ACT OF 1934

Established securities market, publicly traded partnerships, **11:13**

SECURITY

See also index heading **PLEDGE OF PROPERTY AS SECURITY**

SECURITY ARRANGEMENTS

Like-kind exchanges, **18:12**

SECURITY DEPOSITS

Additional rent, **21:20**

Defined, **21:20**

Landlord's obligation to repay released by, **21:22**

SEGREGATION OF ASSETS

Investor status protection, **6:18**

SEIZURE

Involuntary conversions, **19:4**

SELF-CANCELLING INSTALLMENT NOTES

Estate planning for real estate, **25:26**

SELF-DEALING

Portfolio income, passive loss limitation rules, **11:8**

SELF-EMPLOYED INDIVIDUALS

Home office deduction, **4:11**

Moving expenses, **4:4**

SELF-EMPLOYMENT RULES

Limited liability companies, **8:52**

SELLER/TENANT

Sale/leaseback, rent payments deduction, **21:8, 21:13**

SEPARATE ACTIVITIES

Passive loss limitation rules, **11:4, 11:5**

SERVICE FEES

Points, **4:3**

SERVICES

Basis of property acquired in exchange for, **1:21**

Depreciation, **14:23**

Enhancing the value of property, recharacterization of passive income, **11:11**

Management, passive loss limitation rules, **11:7**

Personal, passive loss limitation rules, **11:8**

Receipt of partnership for, **8:21**

SET-ASIDE AMOUNTS

Low-income housing credit, **16:3, 16:5**

SEVERANCE DAMAGES

Involuntary conversions, **19:11**

SHAM DEBT

Basis, **1:2**

SHAM TRANSACTIONS

Disposition of entire interest in passive activity, **11:12**

SHARED APPRECIATION LOANS

Creative financing considerations, **24:5**

SHARED EQUITY FINANCING AGREEMENT

Rental of residence, **4:13**

SHAREHOLDERS

See also index heading **STOCKHOLDERS**

Lease of property to controlled corporation, disguised dividends, **21:5, 21:10**

Powers, **6:7, 6:8**

Publicly traded partnership classified as corporation, **11:13**

S corporations, operating loss deduction, **6:17**

Stock, adjusted basis, limitation on losses, **6:17**

SHOPPING CENTERS

Corporate sellers considered collapsible, **23:6**

SHORT TAXABLE YEAR

Accounting periods, **13:7**

SHORT-TERM CAPITAL GAINS AND LOSSES

Holding period, **2:1**

SHORT-TERM LEASES

Build-out allowances, **21:5**

SIGNIFICANT PARTICIPATION PASSIVE ACTIVITY

Defined, **11:10**

Material participation test, passive loss limitation rules, **11:7**

Recharacterization of income from, **11:10**

SINGLE ACTIVITY

Passive loss limitation rules, **11:4**

SINGLE MEMBER LLCs

Limited liability companies, **8:51**

SINKING FUND ACCOUNTS

Homeowner's association, qualifying expenditure, **5:7**

SMALL IRRIGATION POWER FACILITIES

Investment tax credits, **15:5**

SOCIAL CLUBS

Pension trusts, **27:3, 27:8**

SOLAR ENERGY

Investment tax credits, **15:5**

SOLICITATION

Dealer determination, **23:3**

SOLICITATION OF SALES

Dealer status determined, **23:3**

SOLID WASTE FACILITIES

Investment tax credits, **15:5**

SOURCE OF INCOME REQUIREMENTS

Real estate investment trusts (REIT), **10:6**

SPECIAL ASSESSMENTS

Condominiums, capital contributions, **5:5**

SPECIAL WRITE-OFFS

Depreciation, **14:12, 14:13**

SPECULATIVE DEBT

Basis, **1:2, 20:2**

SPENDTHRIFT TRUSTS, USE OF

Estate planning for real estate, **25:40**

SPLIT DOLLAR LIFE INSURANCE

Estate planning for real estate, **25:35**

SPLIT HOLDING PERIODS

Nontaxable incorporation, receipt of stock and securities, **2:9**

SPLIT INTERESTS

Depreciation, **14:2**

SPLIT PURCHASES

Estate planning for real estate, **25:29**

SPOUSES

Participation in activity treated as participation by taxpayer, passive loss limitation rules, **11:6, 11:7**

Real property trades or businesses, **11:12**

START-UP COSTS

Operation of real estate, **12:14, 12:15**

STATE GOVERNMENT

Improvements to tract of real property, Section 1237 inapplicable, **23:4**

STATE REAL PROPERTY TAXES

See index heading **REAL PROPERTY TAXES**

STATUTORY TESTS

Resolving debt/equity issue, **24:4**

STEP TRANSACTION DOCTRINE

Recharacterization of gain, **6:18**

STEPPED RENTS

Section 467 rental agreements, **21:2, 21:8**

STOCK

Adjusted basis, limitation on losses, **6:17**

Collapsible corporations, **23:6**

Cooperative housing corporation, classes, **5:12**

Regularly traded on securities market

foreign corporation qualified resident, **22:19**

interest in not U.S. real property interest, **22:6**

STOCK REDEMPTIONS

See index heading **REDEMPTIONS OF STOCK**

STOCKHOLDERS

See also index heading **SHAREHOLDERS**

Basis, **1:19**

Holding period, corporate distribution of property, **2:9**

Powers, **6:8**

Real estate investment trusts (REIT), **10:14**

S corporations, **6:17, 9:18**

Stock, adjusted basis, **6:17**

STORAGE, INVENTORY

Use of principal residence, **4:12**

STORAGE COSTS

Foreign moves, **4:4**

STORAGE TANKS

Operation of real estate, **12:21**

STRAW CORPORATIONS

Usury limitation avoidance device, **6:14**

STRUCTURE, SEPARATE

Business use, home office deduction, **4:11**

STUDENT LOANS

CARES Act, **App A**

SUBCHAPTER S CORPORATIONS

See index heading **S CORPORATIONS**

SUBDIVIDED REAL ESTATE

Improvements on, Section 1237 treatment of gain precluded, **23:4**

Sales by noncorporate taxpayers

long-term capital gains treatment generally, **23:2**

requirements for qualification, **23:4**

SUBDIVIDERS OF REAL ESTATE

Collapsible corporations, **23:6**

Trade or business, determination, **23:3**

SUBLEASES

Related parties, passive income, recharacterization, **11:10**

SUBORDINATE MORTGAGES

Sales/leasebacks, **21:8, 21:13**

SUBSIDIARIES

Pension trusts, **27:12**

SUBSIDIARY CORPORATIONS

Foreign corporations, U.S. real property interests distributed in complete liquidation of, **22:7**

“SUBSTANTIAL ECONOMIC EFFECT”

Partnerships, **8:25 to 8:29**

SUBSTANTIAL EQUIVALENT OF SECONDARY MARKET

Publicly traded partnerships, **11:13**

SUBSTANTIAL IMPROVEMENT

Tract of real property, Section 1237 inapplicable, **23:4**

SUBSTANTIAL PRESENCE TEST

Alien individuals, **22:5**

SUBSTANTIALITY OF INCOME

Dealer status determination, **23:3**

SUBSTANTIALLY APPRECIATED PARTNERSHIP INVENTORY

Collapsible partnerships, **23:7**

SUBSTANTIALLY APPRECIATED PROPERTY

Passive activities, **11:11**

Passive activity, disposition, **11:10**

SUBSTANTIATION REQUIREMENTS

Charitable contributions of real estate interests, **26:19**

SUBSTITUTIONS

Installment sales, **17:17**

SUCCESSOR TRUSTEES

Business trusts, **6:8**

SUPPLEMENTAL SCHEDULES

Independent contractors, **10:20**

Real estate investment trusts (REIT)

independent contractors, **10:20**

rental income, supplemental schedule regarding, **10:21**

Rental income, supplemental schedule regarding, **10:21**

SUPPLIES

Capital assets, **3:4**

SURPLUS

Cooperative housing corporation, distribution, **5:12**

SUSPENDED PASSIVE LOSSES

Disposition in tax-free exchange of activity, **11:3**

SYNDICATION EXPENSES

Partnerships, **8:14**

SYNTHETIC LEASES

Creative financing considerations, **24:7**

T

TACKING RULES

Holding periods

corporate distributions of property, **2:9**

corporate liquidating distribution, **2:9**

partner contributions of property, **2:8**

shareholder contributions of property, **2:9**

Holding periods, partnership distributions of property, **2:8**

TAX ACCOUNTING METHODS

See index heading **ACCOUNTING METHODS**

TAX ADVANTAGES OF PARTNERSHIPS

Contributions to property, no recognition of gain or loss, **8:3**

Definitions, **8:1**

Distributions of property, no recognition of gain or loss, **8:4**

Double taxation, **8:2**

Flexible allocations, **8:5**

**TAX ADVANTAGES OF PARTNERSHIPS
—Cont'd**

- Flow-through of tax incidents, **8:2**
- Listed assets, **8:3**
- Scope of chapter, **8:1**

TAX CLASSIFICATION

- Choice of entity considerations, **6:15**

TAX REFORM ACT OF 1984

- Partnerships, **8:17**

TAX REFORM ACT OF 1986

- Tenant-stockholder qualifications, **5:11**

TAX SHELTERS

- Prepaid rents, economic performance, **21:4, 21:7**

TAXABLE DISTRIBUTIONS

- Estate planning for real estate, **25:5**

TAXABLE TERMINATIONS

- Estate planning for real estate, **25:5**

TAXABLE YEAR

- Accounting periods, **13:3, 13:5 to 13:7**
- Partnerships, **8:12, 8:13**
- S corporations, **9:10**

TAX-EXEMPT CONTROLLED ENTITIES

- Pension trusts, **27:12**

TAX-EXEMPT ENTITY LEASING

- Depreciation
 - generally, **14:19**
 - disqualified lease, **14:21**
 - exceptions, **14:22**
 - investment tax credit, **14:25**
 - partnerships, **14:23**
 - personal property, **14:24**
 - service contracts, **14:23**
 - tax exempt entities, **14:20**
- Disqualified lease, depreciation, **14:21**
- Exceptions, depreciation, **14:22**
- Investment tax credit, **14:25**
- Partnerships, depreciation, **14:23**
- Personal property, depreciation, **14:24**
- Service contracts, depreciation, **14:23**

TAX-EXEMPT ORGANIZATIONS

- Acquisition of indebtedness, **27:11**
- Affiliated support organizations, **27:12**
- Annuities, **27:5**
- Benefit associations, **27:3, 27:8**
- Chargebacks, **27:11**
- Contingent interest, **27:5**
- Controlled organizations, **27:12**
- Debt-financed property, income from, **27:11**
- Deductions to reach UBTI, **27:9**

TAX-EXEMPT ORGANIZATIONS—Cont'd

- Disqualified holders of debt-financed property, **27:11**
- Dividends, **27:5**
- Dual use of facilities or personnel, **27:9**
- Exceptions to acquisition of indebtedness, **27:11**
- Exclusions from unrelated business taxable income (UBTI), **27:4 to 27:8**
- Fractions test, **27:11**
- Interest, **27:5**
- “Not substantially related” defined, **27:3**
- Offsets, **27:11**
- Partnerships, income from, **27:10**
- Qualified allocation, **27:11**
- Real estate investment trusts (REIT), **27:12**
- “Regularly carried on” defined, **27:3**
- Rental income, exclusions, **27:7**
- Rents from debt-financed property, **27:12**
- Royalties, exclusions, **27:6**
- Scope, **27:1**
- Social clubs, **27:3, 27:8**
- Subsidiaries, income from, **27:12**
- Tax-exempt controlled entities, **27:12**
- Title-holding companies, **27:12**
- “Trade or business” defined, **27:3**
- Unrelated business income tax (UBIT), **27:2**
- Unrelated business taxable income (UBTI)
 - generally, **27:3 to 27:9**
 - annuities, **27:5**
 - benefit associations, **27:3, 27:8**
 - contingent interest, **27:5**
 - deductions to reach UBTI, **27:9**
 - disposition of property proceeds, exclusions, **27:8**
 - dividends, **27:5**
 - dual use of facilities or personnel, **27:9**
 - exclusions from, **27:4 to 27:8**
 - interest, **27:5**
 - “not substantially related” defined, **27:3**
 - “regularly carried on” defined, **27:3**
 - rental income, exclusions, **27:7**
 - royalties, exclusions, **27:6**
 - social clubs, **27:3, 27:8**
 - “trade or business” defined, **27:3**
 - trusts, **27:3**

TAX-EXEMPT STATUS

- Condominium unit owners association, **5:6**

TAX-FREE TRANSACTIONS

- Basis, **1:5**
- Holding period of property received, **2:7**
- Installment sales, **17:18**
- Passive activity disposition, suspended passive losses and credits, **11:3, 11:11**
- Section 1250 property holding period, **2:10**

TAXPAYER RELIEF ACT OF 1997

Capital gains, **2:1**
Home office, **4:11**
Personal residences, **4:18**

**TECHNICAL AND MISCELLANEOUS
REVENUE ACT OF 1988**

No recognition of gain or loss at corporate level
on conversion from cooperative housing
corporation to condominium, **5:14**

TEMPORARY LODGING

Moving expense, **4:4**

TENANTS

Accrual method required
related to landlord, **21:3, 21:9**
Section 467 rental agreements, **21:2, 21:8**
Acquisition of fee interest in realty, **21:14, 21:22**
Capital expenditures
generally, **21:18**
improvements to leased premises not
considered rent, **21:18**
Deductions
rental payments, **21:2, 21:8**
security deposit retained by landlord, **21:20**
Donor, gift/leasebacks, **21:7, 21:12**
Improvements to leased premises
generally, **21:18**
made by, rent characterization, **21:18**
Insurance premiums on leased property
generally, **21:16**
rental income to landlord, **21:16**
Landlord's income taxes paid by, **21:15**
Lease acquisition expenses, **21:3, 21:10**
Lease cancellation bonus paid by, **21:14, 21:22**
Lease cancellation payments received by
generally, **21:21**
exchange of lease treatment, **21:13**
Leasehold interest, depreciation of, **21:13, 21:21**
Mortgage payments on leased property
generally, **21:16**
rental income to landlord, **21:16**
Purchase of fee in leased property, **21:3, 21:10**
Real estate taxes paid by, **21:15**
Rent, treatment of, **21:6**
Rent reductions, **21:5**
Repair obligation, payments to landlord in lieu
of, **21:17**
Replacement of damaged property
generally, **21:17**
payments to landlord to offset obligation,
21:17
Security deposits, **21:20**

TENANTS BY ENTIRETY

Depreciation, **14:2**

TENANTS BY ENTIRETY—Cont'd

Forms of ownership, **7:5**
Partition, **7:5**
Principal residence, title held as, **4:2**

TENANTS IN COMMON

Depreciation, **14:2**
Forms of ownership, **7:3**
Partition, **7:3**
Principal residence, title held as, **4:2**

TENANT-STOCKHOLDERS

Cooperatives
deductions allowed, **5:10**
qualification as, **5:11**
Qualified residence interest deduction, **4:7**

TERMINATION

See index heading CANCELLATION OR TERMINATION

TERMITE DAMAGE

Casualty loss denied, **4:8**

TESTS

Resolving debt/equity issue, **24:4**

THEFT

Involuntary conversions, **19:4**

THEFT LOSSES

Principal residence, deduction of, **4:8**

THIN CAPITALIZATION

Creative financing considerations, **24:4**

THIRTY-PERCENT TAX

Foreign persons, income not connected with
conduct of trade or business within U.S.,
22:2

THREAT OF CONDEMNATION

Involuntary conversions, **19:4**

TIME OR DATE

Charitable contributions of real estate interests,
26:4
Depreciation, **14:5**
Installment sales, timing of electing out, **17:4**
Involuntary conversions
conversion proceeds, timing of, **19:5**
replacement, time period for, **19:8**
Partnerships, **8:8**

TIMESHARE ASSOCIATION

Homeowners association, **5:7**

TIMESHARES

Installment sales, **17:22**

TIME-SHARING INTERESTS

Interest in real property other than interest solely
as creditor, **22:6**
Qualified residence interest deduction, **4:7**

TITLE, MANNER OF TAKING

Principal residence, **4:2**

TITLE CHARGES

Moving expense deduction, **4:4**

TITLE REPORT

Principal residence purchase, basis addition, **4:3**

TITLE-HOLDING COMPANIES

Pension trusts, **27:12**

TRACT OF REAL PROPERTY

Section 1237, defined, **23:4**

TRADE OR BUSINESS

Frequency of sales, **23:3**

Improvements, extent of, **23:3**

Income not connected with conduct of, foreign persons, **22:2**

Passive activity, **11:5**

Property rented for use in, income treated as not from passive activity, **11:10**

Real estate related business activities, **23:3**

Rental incidental to, exclusion from rental activity classification under passive loss limitation rules, **11:6**

Sale of real property, dealer status determination, **23:3**

“TRADE OR BUSINESS”

Defined, **27:3**

TRADE OR BUSINESS ACTIVITIES

Integration, passive loss limitation rules, **11:4**

Passive activities, **11:5**

TRADERS

Character of gain or loss on disposition of property, **3:5**

TRANSFER TAXES

Principal residence purchase basis addition, **4:3**

moving expense deduction, **4:4**

TRANSFERABILITY OF INTERESTS

Limited liability companies, **6:6**

TRANSFERS OF BUSINESS INTERESTS

Business trusts, **6:8**

Corporations, **6:7**

General partnerships, **6:4**

Limited liability companies, **6:6**

Limited partnerships, **6:5**

TRANSFERS OF PARTNERSHIP PROPERTY

Controlled partnerships, losses on sales or exchanges with respect to, **8:23**

Debt-financed distributions, **8:24**

Disguised sale of property to partnership, **8:24**

Encumbered property, contributions of, **8:24**

TRANSFERS OF PARTNERSHIP PROPERTY

—Cont’d

Guaranteed payments, **8:24**

Operating cash flow distributions, **8:24**

Overview, **8:22**

Planning using partnerships, **8:49**

Preferred returns, **8:24**

Reimbursements of preformation expenditures, **8:24**

Safe harbor distributions, **8:24**

Sale of property to partnership, **8:23**

TRANSFERS SUBJECT TO REPURCHASE RIGHTS

Disposition of entire interest in passive activity, **11:11**

TRANSITION RULES

Passive loss limitation rules, **11:4**

TRAVEL EXPENSES

Moving expenses, **4:4**

TREATIES

See also index headings **INCOME TAX TREATIES; TAX TREATIES**

U.S. income tax, election by foreign person to treat income from U.S. real property as connected with conduct of trade or business in U.S., **22:2**

TREATY COUNTRY

Foreign corporations, qualified residents, **22:19**

TREATY SHOPPING

Foreign corporations, qualified resident of treaty country, **22:19**

TRUSTEES

Business trusts, **6:8**

FIRPTA withholding tax liability, **22:12**

TRUSTS

See also index heading **BUSINESS TRUSTS**

Alternative withholding rule, FIRPTA, **22:12**

Charitable contributions of real estate interests, **26:14**

Depreciation, **14:2**

Estate planning for real estate, **25:8**

Exclusion of gain on sale of principal residence, **4:18**

Foreign person beneficiary, FIRPTA withholding tax liability, **22:12**

Foreign persons sale of interest in, FIRPTA applicability, **22:7**

Gift/leasebacks, rent deductions, **21:7, 21:12**

Passive loss limitation rules

applicable to, **11:2**

fiduciary level of participation, **11:7**

TRUSTS—Cont'd

Personal residence, exclusion of gain on sale, **4:18**

Tax classification, **6:15**

TUITION

Estate planning for real estate, **25:3**

TWENTY-FOUR MONTH RULE

Recharacterization of passive income, **11:10**

U

UBIT

See index heading UNRELATED BUSINESS INCOME TAX

UBTI

See index heading UNRELATED BUSINESS TAXABLE INCOME

UNDERTAKINGS

Passive loss limitation rules, **11:4**

UNIFORM CAPITALIZATION RULES

Accounting methods, **13:13**

UNIFORM LIMITED LIABILITY COMPANY ACT

Limited liability companies, **6:6**

UNIFORM LIMITED PARTNERSHIP ACT OF 1916

Provisions, **6:5**

Restrictions on the admission of new general or limited partners, **6:11**

UNIFORM LIMITED PARTNERSHIP ACT OF 2001 (RE-RULPA)

Generally, **6:5**

New partners, admission of, **6:11**

UNIFORM PARTNERSHIP ACT

Definition of partnership, **6:4**

Provisions of Act, **6:4**

Restrictions on the admission of new partners, **6:11**

UNIMPROVED REAL PROPERTY

Ground lease income, **11:11**

UNINCORPORATED ASSOCIATION

Tax status, **5:5**

UNITED STATES

Income tax treaties

generally, **22:2**

FIRPTA withholding tax exemptions, **22:10**

Real property, foreign persons investment in, **22:2 et seq.**

UNITED STATES NET EQUITY

Foreign corporations, **22:17**

UNITED STATES REAL PROPERTY HOLDING CORPORATIONS

Dates for testing corporation for treatment as, **22:6**

Determination, **22:6**

Distribution of property to foreign person holding interest in, withholding tax required, **22:12**

Dividends distributed to foreign person, withholding tax requirement, **22:12**

Foreign persons, U.S. real property interests held by, **22:6**

UNITED STATES REAL PROPERTY INTERESTS

Blanket withholding certificates, multiple dispositions, **22:10**

Debt investment in, **22:15**

Distribution by foreign corporation, **22:7**

Dividend distributed to foreign person, withholding tax requirement, **22:12**

Earnings stripping rules, **22:15**

Estate disposition to foreign person beneficiary, **22:12**

Exchanges, **22:7**

Foreclosure of, withholding tax, **22:9**

Foreign corporation distributions, FIRPTA withholding tax, **22:12**

Foreign governments, FIRPTA withholding tax, **22:9**

Foreign persons

held directly or through entity, **22:6**

reporting requirements, **22:14**

transfer by, withholding tax, **22:8**

Interests excepted from classification as, **22:6**

International organizations, FIRPTA withholding tax, **22:9**

Joint ownership by foreign and nonforeign transferors, **22:8**

Nonrecognition transfers of, **22:9**

Partnership disposition of, foreign person partner, **22:12**

Residential use, **22:9**

Section 351 tax-free incorporation, **22:7**

Section 355 distribution, nonrecognition provisions, **22:7**

Transferor not foreign person, **22:9**

Trust disposition of, foreign person beneficiary, **22:12**

United States governmental unit, FIRPTA withholding tax, **22:9**

U.S. real property holding company, determination, **22:6**

Voluntary conveyance of deed in lieu of foreclosure, **22:9**

Withholding on disposition of agent's liabilities and duties, **22:11**
requirements, **22:8**

UNREALIZED RECEIVABLES

See also index heading RECEIVABLES (UNREALIZED)

UNRELATED BUSINESS INCOME TAX (UBIT)

Pension trusts, 27:2

UNRELATED BUSINESS TAXABLE INCOME (UBTI)

Annuities, 27:5

Benefit associations, 27:3, 27:8

Contingent interest, 27:5

Deductions to reach UBTI, 27:9

Disposition of property proceeds, exclusions, 27:8

Dividends, 27:5

Dual use of facilities or personnel, 27:9

Exclusions from, 27:4 to 27:8

Interest, 27:5

“Not substantially related” defined, 27:3

Pension trusts, generally, 27:3 to 27:9

“Regularly carried on” defined, 27:3

Rental income, exclusions, 27:7

Royalties, exclusions, 27:6

Social clubs, 27:3, 27:8

Tax-exempt organizations, generally, 27:3 to 27:9

“Trade or business” defined, 27:3

Trusts, 27:3

UNRELATED PARTIES

Unrelated party sales, considerations, 23:5

UNRELATED PARTY SALES

Condominium conversions, 23:5

Installment method, 23:5

UPPER-TIER PARTNERSHIPS

Partnerships, 8:47

UPREITs

See index heading UMBRELLA PARTNERSHIP REAL ESTATE INVESTMENT TRUSTS (UPREITSS)

U.S. REAL PROPERTY HOLDING CORPORATIONS

See index heading UNITED STATES REAL PROPERTY HOLDING CORPORATIONS

U.S. REAL PROPERTY INTERESTS

See index heading UNITED STATES REAL PROPERTY INTERESTS

USE OF REAL PROPERTY

Charitable contributions of real estate interests, 26:17

Low-income housing credit, 16:21

Rehabilitation credit, 16:21

USED IN A TRADE OR BUSINESS

Defined under Section 1231, 3:6

USURY LIMITATIONS

Avoidance of, 6:14

V

VACATION HOMES

Mortgage interest expense deductions, 4:7

Points paid, deductibility, 4:3

Qualified residence interest deduction, 4:7

Rental use, deduction of expenses, 4:13

VALUATION

Charitable contributions of real estate interests, 26:18

VALUATION TECHNIQUES, REDUCING ESTATE AND GIFT TAXES THROUGH

“Blockage discount, 25:11

Capitalization of rental income, 25:10

Comparable sales approach, 25:10

Discounts, 25:11

Drafting partnership agreement, 25:13

Entities to achieve reduction, use of, 25:11

Fair market value, 25:10

Family limited partnerships, use of, 25:13

Highest and best use, 25:10

Limited liability companies, use of, 25:14

Outright gifts of real property, 25:12

Premium adjustments, 25:11

Qualified subchapter S trust (QSST), 25:15

Real estate valuation, generally, 25:10

Replacement cost, 25:10

Reproduction cost, 25:10

S corporations, use of, 25:15

VALUE OR VALUATION

Overstatements. See index heading VALUATION OVERSTATEMENTS

Techniques. See index heading VALUATION TECHNIQUES, REDUCING ESTATE AND GIFT TAXES THROUGH

Unrelated party sales, 23:5

VALUE TEST

Operation of real estate, 12:20

VALUE-ENHANCING SERVICES

Passive activity loss rules, 11:10

VARIABLE RATE MORTGAGE

Creative financing considerations, 24:2

VARIATIONS

Creative financing considerations, 24:2

VERTICAL INTEGRATION RULE

Undertakings, passive loss limitation rules, 11:4

**VETERANS ADMINISTRATION HOME
MORTGAGE LOAN**

Points paid, deductibility, **4:3**

VICARIOUS LIABILITY

Corporate managers, **6:7**

**VOLUNTARY CONVEYANCE OF DEED IN
LIEU OF FORECLOSURE**

U.S. real property interest received, FIRPTA
withholding tax, **22:9**

VOTING RIGHTS

Estate planning for real estate, **25:21**

W

WAGES

Foreign persons, income not connected with
conduct of trade or business in U.S., **22:2**

WALLS

Rehabilitation credit, definition of external and
internal walls, **16:13**

WASH SALES

Disposition of entire interest in passive activity,
11:11

WHOLLY OWNED SUBSIDIARIES

Foreign corporation, qualified resident, **22:19**

WIND POWER

Investment tax credits, **15:5**

WINDING UP

Limited partnerships, **6:5**

WITHHOLDING CERTIFICATES

Application process, **22:10**
Conditions for issuance, **22:10**
U.S. real property interest transferee, **22:8**

WITHHOLDING TAXES

Branch level interest tax, **22:18**

WITHHOLDING TAXES—Cont'd

Foreign Investment in Real Property Tax Act of
1980

agent's liabilities and duties, **22:11**

alternative rule, **22:12**

double withholding not required, **22:12**

estate's disposition of U.S. real property inter-
est, **22:12**

exceptions, **22:9**

foreign corporation electing treatment as
domestic corporation, **22:13**

general rules, **22:12**

liability for, **22:8**

nonrecognition provision exemption, **22:12**

partnership's disposition of U.S. real property
interest, **22:12**

requirements, **22:8**

trust's disposition of U.S. real property inter-
est, **22:12**

U.S. real property holding company, distribu-
tion of property to foreign person holding
interest in, **22:12**

withholding certificates, **22:10**

WORKING CAPITAL RESERVES

Interest earned on, treatment of, **11:8**

WORKSHOPS

Home office deduction, **4:11**

WORTHLESSNESS OF INTEREST

Suspended passive losses allowed, **11:11**

WRAP-AROUND MORTGAGES

Installment sales, **17:10**

Y

YEAR OF DEDUCTION

Casualty loss, **4:8**

Operation of real estate, **12:14, 12:17**