

# ADVANCED INDIVIDUAL TAXATION

## Business 225K –Fall 2008

### In-class Questions – Course Review

Identify what possible tax rules might apply to each of the following taxpayers and questions you'd ask to know how to apply the rules.

1. The Smiths own two houses that are always rented out.
  - First determine if either house meets the used as a residence definition of  $\S 1631(d)$ . If that definition is met,  $\S 1631(c)$  is used to determine the allowable deductions. No loss can be reported under this provision. Instead, any loss carries forward to be used against future income from that house under  $\S 1631$ . It is possible that one of these houses might also be the Smith's second residence for  $\S 1631(h)$  purposes such that the interest on the qualified residence debt attributable to personal use of the home may be deductible under  $\S 1631(h)$ .
  - If  $\S 1631(c)$  is n/a, then consider if these rentals are a passive activity. Be sure to consider the rental exceptions.

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