

NO FOLDER

LOOSE FILE

Personal Inc. tax loop holes

1. Stock dividends, not inc. (!!) (?) (p. 22)
2. Some div. are not from inc, rep. "liquidation". (So why can't a corp. build up by plowbacks, then liquidate?)
3. Cap. gains
4. State & local bonds
5. Bonds purchased "flat" (p. 21)
6. Non-mon. comp. to employees. Discounts, cheap lunch, recreation etc.
a. Expense acct compensation.
7. Accel. amort-n.
8. Sale of residence
9. Sell r.e. for low price, ~~the~~ w. mortgage, to buyer, who pays higher int. to compensate. To him the int. is deductible, the Δ cap. gain lightly taxed.
§ 413 p. 46.
10. In general, call it int. when it's really amort-n. Int. is deductible, amort isn't. Excess of deprec-n over amort-n thus gives you tax free payments, maybe "income". (Sounds fishy. Crux probly that book deprec-n exceeds true deprec-n; & land apprec-n not figured, but buyer is grabbing it)
11. Depreciate twice or more, thus. Bldg is deprec. on books over 30 yrs. You buy r.e., & say you are buying bldg. Then new "cost" basis for deprec-n is what you paid for bldg !! (?) § 413 p. 46) You may have to do more than say you are buying bldg. Bring in 3rd party to "buy" land at a low price, low b's tied to agreement to rent to you cheap, for which you pay hi price for the "building".

12. Buy old place, put in M to improve it, but call it repair, maintenance, upkeep etc, deduct currently. Then sell for cap. gain.

Discr. in inc. tax in favor of property.

1. Employee cannot deduct commut^{no clothing,} expenses. But all prop. inc. is net of all expenses incurred therewith. All "bus. expenses", all expenses re prop. held for inc.
2. Inc. from patents can be spread over 60 mo., or treated as cap. gain.
.. .. lit, music 36 mo, not
.. .. or art
3. Bus. & prop. deductions come before standard deduction, 1090. But personal deductions, to take, must lose 1090
4. Damage to prop., deduct; damage to human, no deduct loss of inc. yld's cap.
5. Depn. & obsol^{2 damage} allowed on prop. Not on educ-n, traing. (Hence Russ. gett's ahead of us)
6. On natural resources, you hold while value goes up. Then when sell, can deduct c. 27% income as depletion, but you never paid inc. tax on rise of value.
7. Cap. gains allowed on prop. Not on copyrights. Allowed on stock & due to plow backs.
Coal & timber sales, cap. gains (p. 37)
8. Barter of ^{bus. or inv.} prop-ty, gains therefrom not taxable - if a 'fixed' asset. Barter of labor wd. be taxable. At worst, 'fixed' assets get cap. gains. 'Merchandise' doesn't.
E.g., deprec. a truck too fast, if you sell it for > deprec. basis, is taxable inc.
But trade in on new, however much are allowed, not taxable.

1/6 I put my M into something that depreciates, can ea.
yr. write it off from inc. — while if I'd spent it, no such luck.

Can I depr. car, hshld goods, etc? Thus inc. tax encourages inv.?
Cap. frozen?

at least can deprec. house. So buy house on credit, ea. yr
deduct int., deprec., & get rent free. Pretty good.

Can only deduct depr. on prop. used in bus. Not ~~house~~ dwelling
(I cd. depr. typewriter, files, chair etc. Do so)

(Thus encourages putt'g cap. into bus. use. (but not land))

Repairs & maintn of rental prop. are deductible. Improvements not.
(p. 24) ^{a nice distinction.} I trust to compensate for this one cd. deprec. improvements,
but not repairs. ?

✓ As land not deductible, diverts inv. into cap?? I hardly
think so — \$1,000 in cap. rather than land gives a deprec-n, but also
gives higher inc., as it is sold out. The net inc. is above deprec-n, & is
taxed.

But now accelerated amort-n moves M into cap. Also, cap. which adds
to pleasure but not M income is good. (I must get busy & deduct deprec-n
on all tools used in my 'business' — typewriter, chair, pen, paper, etc etc etc.)
(Even car