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HOW TO USE THIS SHEET

READ THIS FIRST — a warning about the numbers. Every dollar figure in this sheet is tied to a specific tax year (the figures here are broadly 2025). Contribution limits, exclusions, phase-outs and thresholds are INDEXED and change annually, and Congress changes the law on top of that.

Note also that a stale figure is more dangerous than a blank one, because it gives you confidence in a wrong answer. Learn the MECHANICS from this sheet; verify every number against the current AICPA examinable window before you sit.

TCP is one of three discipline sections — you sit ONE of BAR, ISC or TCP. TCP is REG at depth: the same Code, but the PLANNING layer on top of the compliance layer. The question is no longer just "what is the tax?" but "what should the client have done instead?"

That shift is what candidates underestimate. TCP asks you to compare alternatives, and to know why one structure beats another for THIS taxpayer. The ▸ notes are written for that question.

TAX COMPLIANCE & PLANNING FOR INDIVIDUALS · 14 formulas

The individual planning toolkit: AMT, loss limitations, self-employment tax and the deduction ceilings.

Individual AMT

```
Taxable income + preferences + adjustments = AMTI
− Exemption = AMT base
× 26% (up to the breakpoint) or 28% (above) = Tentative minimum tax
AMT = max(0, TMT − Regular tax)
```

Where: The exemption phases out at higher income.

▸ *You pay the EXCESS of TMT over regular tax, not TMT itself. The AMT is a floor, not a second bill — and the planning point is that ACCELERATING income into an AMT year can actually be cheap, because the AMT rate (28%) is below the top regular rate.*

Self-employment tax

```
Net SE earnings = Net SE income × 92.35%
SE tax = 15.3% × net SE earnings, up to the Social Security wage base; 2.9% Medicare on the excess
+ 0.9% Additional Medicare above $200,000 ($250,000 MFJ)
```

Where: Deduct one-half of the SS + Medicare portion above the line.

▸ *The 92.35% adjustment exists because an employee's own FICA is not part of their wage base. Social Security is CAPPED; Medicare is UNCAPPED. And the 0.9% Additional Medicare is NOT deductible — only the regular half is.*

SE tax components (2025)

```
Social Security: 12.4% × min(Net SE, $176,100)
Medicare: 2.9% × Net SE
Additional Medicare: 0.9% × (Net SE above $200K single / $250K MFJ)
```

Where: 2025 wage base — VERIFY.

▸ *The S corporation planning angle lives here: pay a REASONABLE SALARY (subject to FICA) and take the rest as a DISTRIBUTION (not subject to SE tax). Set the salary too low and the IRS will recharacterise it — "reasonable" is the whole battleground.*

Passive activity loss rules

```
Passive losses offset ONLY passive income; the excess is suspended and carried forward.
FULL DISPOSITION of the activity releases ALL suspended losses.
Active rental exception: $25,000, phased out between $100,000 and $150,000 AGI.
Material participation: 500+ hours (the primary test).
```

Where: Three income buckets: active, portfolio, passive.

▸ *The FULL DISPOSITION release is the key planning lever — suspended losses are trapped until you sell the entire interest, at which point they all come free at once. Timing that sale is real planning.*

At-risk basis (§465)

```
At-risk amount = Cash + adjusted basis of property contributed + RECOURSE debt
```

Where: Losses are deductible only up to the at-risk amount; the excess is suspended.

▸ *NON-RECOURSE debt does NOT increase at-risk basis — with the exception of qualified nonrecourse REAL ESTATE financing. There are THREE loss hurdles in sequence: basis, then at-risk, then passive. A loss must clear all three.*

Investment interest expense limit

```
Deduction = min(Investment interest expense, Net investment income)
```

Where: NII = taxable interest + non-qualified dividends + short-term gains − investment expenses.

▸ *LTCG and qualified dividends are EXCLUDED from NII unless you ELECT to treat them as ordinary — and that election forfeits the preferential rate. It is a genuine trade-off, and comparing the two is exactly what TCP asks.*

Schedule A medical deduction

```
Deduction = max(0, Qualified medical expenses − 7.5% × AGI)
```

Where: The 7.5% floor is permanent.

▸ *Expenses paid from an HSA or a Roth are EXCLUDED — you cannot deduct what you already paid with tax-free money. That double-dip prohibition is the tested detail.*

Charitable contribution AGI ceilings

```
Cash to a PUBLIC charity: 60% of AGI
Cash to a private non-operating foundation: 30%
LTCG property to a public charity (at FMV): 30%
LTCG property to a private foundation (at FMV): 20%
Ordinary income / non-LTCG property (at BASIS): 50%
```

Where: 5-year carryover. C corporations: 10% of taxable income.

▸ *Public charity beats private foundation, and cash beats property — at every tier. The planning move for APPRECIATED stock: donate it directly, deduct the FULL FMV, and recognise NO capital gain. Selling first and donating the cash is strictly worse.*

§199A QBI deduction — phase-in

```
QBI deduction = min(20% × QBI, 20% × (Taxable income − net capital gains))
Above the threshold, non-SSTBs are limited to the GREATER of 50% of W-2 wages, or 25% of W-2 wages + 2.5% of UBIA
```

Where: 2025 thresholds: $197,300 single / $394,600 MFJ; phased in over $50K / $100K.

▸ *SSTBs (law, health, accounting, consulting) lose the deduction ENTIRELY above the upper threshold. Non-SSTBs merely become wage-limited. The planning lever is therefore either to stay under the threshold, or to increase W-2 wages and qualified property.*

Estimated tax safe harbour

```
Pay the LESSER of: 90% of the current year, OR 100% of the prior year (110% if prior-year AGI > $150,000)
Corporations: 100% of prior OR 100% of current — no 110% step-up
```

Where: A safe harbour, so it takes the lesser.

▸ *The prior-year test is the useful one for planning, because it is a KNOWN number. A client expecting a big income spike can safely underpay relative to the current year, so long as they hit the prior-year figure.*

Retirement contribution limits (2025)

```
401(k): $23,500 + $7,500 catch-up (50+); §415(c) total cap $70,000
IRA (traditional or Roth): $7,000 + $1,000 catch-up
SIMPLE: $16,500 + $3,500 catch-up
SEP: min(25% of compensation, $70,000)
QCD (IRA, age 70½+): up to $108,000
```

Where: 2025 figures — VERIFY.

▸ *The §415(c) cap covers EVERYTHING entering the plan — deferrals, employer match and after-tax contributions. And a QCD both satisfies the RMD and stays OUT of AGI entirely, which beats a deduction because it also relaxes every AGI-gated limit elsewhere.*

Filing status

```
 Single; MFJ; MFS; Head of Household (unmarried + paid over 50% of household costs + a qualifying person for over half the year); Qualifying Surviving Spouse (2 years after the death, with a dependent child, using MFJ brackets)
```

Where: Determined on 31 December.

▸ *Head of household needs BOTH tests, and a dependent PARENT counts as the qualifying person even if they do NOT live with you. QSS gives you MFJ brackets for two more years, which is a substantial and often-missed benefit.*

Dependency tests

```
 QUALIFYING CHILD (CARES): Citizen, Age, Relationship, Economic (did not self-support), Same home over half the year
 QUALIFYING RELATIVE (SUPORT): Support (>50% from you), Under the gross income limit ($5,200 in 2025), Precluded as a QC, Only US/Canada/Mexico, Relationship OR Resident, Taxpayer not filing MFJ
```

Where: Test for a qualifying child FIRST.

▸ *The QC test has NO gross income limit; the QR test does. That is the biggest structural difference between them, and it decides most dependency questions.*

Foreign Earned Income Exclusion (§911)

```
 Exclude up to $130,000 (2025) of foreign EARNED income if EITHER: (a) a bona fide resident for a full tax year, OR (b) physically present for 330 full days in any 12-month period
 The tax home must be foreign.
```

Where: A housing exclusion or deduction is also available.

▸ *NO foreign tax credit is allowed on the EXCLUDED amount — you may not exclude income and then claim credit for the tax on it. Choosing between the FEIE and the FTC is a genuine planning decision, and it turns on the foreign country's rate.*

EXAM TIPS — TAX COMPLIANCE & PLANNING FOR INDIVIDUALS

- The three loss hurdles, in order: BASIS → AT-RISK → PASSIVE. A loss must clear all three to be deductible, and each has its own suspension rule.
- The appreciated-stock donation is the cleanest planning move in the individual Code: deduct full FMV, recognise no gain. Expect it to appear.
- Every figure on this page is year-specific. Learn the mechanics; verify the numbers against the current examinable window.

ENTITY TAX COMPLIANCE · 19 formulas

Basis, distributions and the international provisions. The most technical block in TCP.

Partnership inside vs outside basis

```
 OUTSIDE basis: the partner's basis in the partnership INTEREST
 INSIDE basis: the partnership's basis in its ASSETS
 On contribution, they start EQUAL (both carryover)
```

Where: A §754 election permits an inside step-up on transfer or death.

▸ *They start equal and DIVERGE — when an interest is sold, or a partner dies, the buyer's outside basis is the purchase price while inside basis stays put. §754 exists to close that gap.*

§721 partnership formation

```
 NO gain or loss on the contribution of property for a partnership interest. NO control test.
```

Where:

▸ *No control test is the headline contrast with §351. But watch the DISGUISED SALE rule: cash returned within 2 years of a contribution is presumed to be a sale, not a distribution.*

Partnership current distributions

```
Nontaxable up to outside basis.
Order: (1) CASH reduces basis first (2) PROPERTY takes the lesser of inside basis or the remaining outside basis.
Cash in excess of basis = capital gain. NO LOSS is ever recognised on a current distribution.
```

Where: Cash always first.

▸ *Loss is recognised ONLY on a liquidating distribution. A current distribution can never generate a loss, however much basis is left over.*

Partnership liquidating distributions

```
Allocate outside basis in order: (1) Cash (2) Ordinary income property (inventory, unrealised receivables), at carryover basis (3) Other property absorbs the remainder
Loss = Outside basis − (Cash + ordinary property basis), recognised ONLY if cash and ordinary property alone were received
```

Where: Holding periods tack.

▸ *If ANY capital property comes out, the leftover basis is absorbed into that property and NO loss is recognised. The loss only surfaces when the partner receives nothing that can carry the basis forward.*

§754 election

```
Aligns inside basis to outside basis:
§734(b): adjusts after a distribution exceeding outside basis
§743(b): adjusts after a SALE or TRANSFER of a partnership interest
MANDATORY if there is a substantial built-in loss (over $250,000)
```

Where: Once elected, it applies to ALL future events.

▸ *The election is a double-edged sword: it steps basis UP in appreciated years and DOWN in depreciated ones, and you cannot pick and choose. Once made, it binds — which is precisely why it deserves careful thought.*

S-corporation AAA

```
AAA = cumulative post-S-election income, net of losses.
Distribution ordering: (1) AAA → tax-free, reducing basis (2) AEP → taxable DIVIDEND (3) remaining basis → return of basis (4) excess → capital gain
```

Where: AAA is tracked at the CORPORATION level, not per shareholder.

▸ *AEP only exists if the company was ONCE a C corporation. A company that has always been an S corp has no AEP, and the entire layered analysis collapses.*

S-corp distribution with AEP

```
Order: (1) AAA tax-free to the extent of basis (2) AEP as a dividend (3) remaining AAA tax-free to basis (4) basis recovery (5) capital gain
```

Where: A BYPASS election allows AEP to be distributed FIRST.

▸ *Why would anyone bypass? To PURGE the AEP deliberately — because AEP is what exposes an S corp to the passive investment income tax and potential termination of the S election. Paying a dividend now can prevent a disaster later.*

S-corp distribution with no AEP

```
(1) Tax-free to the extent of stock basis (reducing basis) (2) Excess over basis = capital gain (3) Basis floors at zero — it never goes negative
```

Where: AAA is tracked but is not needed for the ordering.

▸ *With no AEP, the analysis is simple: basis, then gain. Most S corporations that were never C corporations live entirely in this case.*

C-corporation E&P

```
 Start with TAXABLE INCOME.
 ADD: tax-exempt interest, life insurance proceeds, the DRD, federal tax refunds, the dividends-paid deduction, NOL carryback used.
 SUBTRACT: federal income tax, non-deductible expenses (50% of meals, fines, life insurance premiums), capital loss carryovers used.
```

Where: E&P also uses ADS depreciation.

▸ *E&P measures ECONOMIC dividend capacity — the real ability to pay shareholders. That is why tax-exempt interest is ADDED BACK: it is not taxable, but it is very much cash the company could distribute.*

Built-in gains tax

```
 BIG tax = 21% × the LESSER of (a) recognised built-in gain during the 5-year recognition period, or (b) taxable income computed as a C corporation
 NUBIG = FMV of assets − adjusted basis of assets, at the S-election date
```

Where: Applies to a C→S conversion.

▸ *The 5-year recognition period is the planning window: hold the appreciated asset past year 5 and the BIG tax disappears entirely. The whole strategy is patience.*

§351 corporate formation

```
 (1) Property transferors must own ≥ 80% of voting stock AND ≥ 80% of each other class immediately after — services do NOT count toward control
 (2) Gain recognised = min(Realised gain, Boot)
 (3) Liabilities assumed are boot ONLY if there is a tax-avoidance purpose, or if liabilities exceed basis
```

Where: The control test is the gate.

▸ *The liabilities rule is the subtlety: assumed debt is generally NOT boot — unless it exceeds your basis, in which case the excess IS gain. That exception catches highly leveraged contributions.*

§1244 small business stock loss

```
 Ordinary loss capped at $50,000 ($100,000 MFJ); the excess is a capital loss (subject to the $3,000 annual limit)
```

Where: Requires: original-issue C-corp stock for cash or property (not services); the corporation had $1M or less of contributed capital at issuance; a 5-year active business test.

▸ *This converts a CAPITAL loss into an ORDINARY one — enormously valuable, because ordinary losses offset ordinary income without the $3,000 cap. Note the shareholder must be the ORIGINAL holder; buying the stock from someone else disqualifies it.*

§1202 QSBS exclusion

```
 Excludable gain = min(Realised gain, the greater of $10 million cumulative or 10 × basis)
```

Where: Requires: C-corp QSBS held MORE THAN 5 years; $50M or less in gross assets at issuance; original issuance to the taxpayer; an 80% active business test.

▸ *Potentially the single most valuable provision in the Code for a founder. Every condition is a HARD GATE — miss the 5-year mark by a month and the entire exclusion vanishes. Track the acquisition date obsessively.*

§163(j) business interest limit

```
 Limit = Business interest income + 30% × ATI + Floor plan interest
```

Where: Excess carries forward indefinitely. Small business exception: average gross receipts of $30M or less (2025) over the prior 3 years.

▸ *ATI approximates EBIT post-2022 (depreciation is no longer added back), which made the limit substantially tighter for capital-intensive borrowers. The small business exception is the first thing to check.*

CFC and Subpart F income

```
A CFC exists when US shareholders own MORE THAN 50% of voting power or value.
Subpart F income is taxed CURRENTLY — no distribution needed — to 10%-or-greater US shareholders, on passive and tax-haven income.
GILTI: a minimum tax on intangible low-taxed income.
```

Where: An anti-deferral regime.

▸ *The whole point is to stop US taxpayers parking passive income in a low-tax jurisdiction and deferring indefinitely. Subpart F taxes it NOW, whether or not the cash comes home.*

§250 FDII and GILTI deduction

```
Deduction = 37.5% × FDII + 50% × GILTI
```

Where: Effective rates: 13.125% on FDII, 10.5% on GILTI.

▸ *The deduction is LIMITED TO TAXABLE INCOME — it cannot create or increase an NOL. FDII is a carrot (export incentive); GILTI is a stick (anti-deferral). They were designed as a matched pair.*

§965 transition tax

```
Tax = 15.5% × the cash portion + 8% × the illiquid portion, of accumulated post-1986 E&P of CFCs
```

Where: A one-time, mandatory deemed repatriation (TCJA). An 8-year instalment election was available.

▸ *The cash rate is higher because cash is what could actually have been repatriated. It was a one-off toll charge for moving from a worldwide to a territorial system — historically important, and still examinable.*

Net unrealised built-in gain

```
NUBIG = FMV of assets − adjusted basis of assets, measured at the S-election date
```

Where: The ceiling on the BIG tax.

▸ *NUBIG is the CAP. No matter how much gain is recognised later, the BIG tax can never reach beyond the appreciation that existed on conversion day.*

Dividends-received deduction

```
Under 20% ownership → 50% DRD
20% to under 80% → 65% DRD
80% or more (affiliated) → 100% DRD
```

Where: Limited to the applicable % of taxable income before the DRD — unless the full DRD would create or increase an NOL.

▸ *The NOL exception SUSPENDS the taxable income limitation. So the limit only bites in the middle range — a subtlety candidates consistently miss.*

EXAM TIPS — ENTITY TAX COMPLIANCE

- The master contrast: PARTNERS get basis from entity debt; S CORPORATION SHAREHOLDERS do not. Almost every basis question in TCP exploits it.
- Every distribution follows an ORDER. Write the tiers down before computing. Skipping a tier corrupts everything downstream, and visible working protects your marks.
- §1202 and §1244 are the two provisions that convert bad outcomes into good ones. Both have hard, unforgiving conditions — learn the conditions, not just the benefit.

ENTITY TAX PLANNING · 9 formulas

Structuring, reorganisations and entity choice. Where TCP genuinely departs from REG.

Entity selection — tax comparison

```
Sole proprietorship / partnership / S corp: PASS-THROUGH; SE tax applies
C corp: 21% flat, but DOUBLE TAX on dividends
S corp: split between salary (FICA) and distribution (no SE tax)
QBI 20%: pass-throughs ONLY, never C corps
```

Where: The core structuring decision.

▸ *The S corporation salary/distribution split is the most valuable — and most abused — lever here. Pay a REASONABLE salary; set it too low and the IRS recharacterises the distributions as wages, with penalties.*

Pass-through vs C corp — after-tax cash flow

```
Pass-through ATCF = Income × [1 − (ordinary rate + NIIT) × (1 − QBI%)]
C corp ATCF = Income × (1 − 21%) × (1 − dividend rate)
```

Where: Compare on an after-tax, after-exit basis.

▸ *The C corp looks cheap at 21% — until the money comes OUT. Model the exit, not just the operating year. If earnings are retained and reinvested for many years, the C corp can win; if distributed annually, it usually does not.*

Dividends-received deduction

```
Under 20% → 50%    20% to under 80% → 65%    80%+ → 100%
```

Where: Limited to a percentage of taxable income before the DRD, unless it would create an NOL.

▸ *The DRD exists to prevent triple taxation as income passes through a chain of corporations. The tiers rise with ownership because the entities are progressively more like one company.*

§338(h)(10) election

```
A JOINT buyer-and-seller election: a stock purchase is recharacterised as an ASSET sale at fair value.
```

Where: Buyer gets a stepped-up asset basis (new depreciation and amortisation). Seller recognises gain on the deemed asset sale (often ORDINARY). Eligible: an S corp or an 80%-owned C corp subsidiary. Form 8023.

▸ *The buyer WANTS the step-up (future deductions); the seller PAYS for it (immediate, often ordinary, gain). The election therefore only happens when the buyer compensates the seller for the extra tax — it is a negotiated price adjustment as much as a tax election.*

Reorganisation types

```
A = statutory merger or consolidation
B = stock-for-stock (80% control after; SOLELY voting stock)
C = assets-for-voting-stock (substantially all assets)
D = divisive, under §355 (spin-off, split-off)
E = recapitalisation
F = a mere change in form or identity
```

Where: All are tax-free if the requirements are met.

▸ *The "B" reorganisation is the strictest: SOLELY voting stock. A single dollar of boot destroys it entirely — there is no partial relief. The "A" is the most flexible on consideration.*

§355 spin-off / split-off / split-up

```
Tax-free only if ALL: (1) both parent and subsidiary ran an ACTIVE trade or business for 5+ years (2) distribute at least 80% control (3) continuity of interest (4) continuity of business enterprise (5) a business purpose (6) NOT a device for an E&P bail-out
```

Where: Six requirements, all mandatory.

▸ *Fail any one and the whole thing is a DIVIDEND to the extent of E&P — a catastrophic outcome. The "device" test is the vaguest and the most dangerous, and it is why these deals get private letter rulings.*

§382 NOL limitation

```
§382 limit = (Equity value at the change date) × (the long-term tax-exempt rate)
```

Where: Triggered by a more-than-50-percentage-point ownership shift by 5%+ shareholders over a 3-year window.

▸ *This caps the ANNUAL use of pre-change NOLs, credits and capital losses. It exists to stop loss-trafficking — buying a company purely for its tax attributes. In a low-rate environment the limit is brutally small, which can render a large NOL practically worthless.*

Estate freeze — GRAT and IDGT

```
 GRAT: Taxable gift = FV contributed − PV of the retained annuity (at the §7520 rate). "Zeroed out" when the PV of the annuity equals the contribution.
 IDGT: the grantor pays the trust's income tax — which is itself a tax-free gift to the trust; assets sit outside the estate.
```

Where: Both FREEZE value and shift appreciation.

▸ *The logic of both: appreciation ABOVE the §7520 rate escapes transfer tax entirely. In a LOW-rate environment the hurdle is easy to beat, which makes these structures extremely attractive. State the rate environment in your answer.*

Like-kind exchange planning (§1031)

```
 (1) REAL property only, post-TCJA (2) identify the replacement within 45 days (3) close within 180 days (4) use a qualified intermediary — NO constructive receipt of cash (5) related party: a 2-year holding requirement (6) boot triggers gain up to the boot
```

Where: Strict, unforgiving deadlines.

▸ *The 45- and 180-day clocks are ABSOLUTE — there is no reasonable-cause extension. And touching the cash, even briefly, destroys the exchange: the qualified intermediary exists precisely to prevent constructive receipt.*

EXAM TIPS — ENTITY TAX PLANNING

- Entity choice is an AFTER-TAX, AFTER-EXIT question. The C corp's 21% is only half the story — model the distribution or the sale.
- For every reorganisation, ask what the SHAREHOLDERS receive. Stock is fine; boot is taxable; and the "B" reorg tolerates no boot at all.
- Estate freeze techniques all beat the §7520 rate or they do nothing. Locate the strategy in its interest-rate environment before recommending it.

PROPERTY TRANSACTIONS · 7 formulas

Basis, recapture and deferral. Shared ground with REG, examined here at planning depth.

Instalment sale — gross profit ratio

```
 GP ratio = Gross profit / Contract price
 Gain in year t = Cash received × GP ratio
```

Where: Contract price = selling price − qualifying debt assumed.

▸ *DEPRECIATION RECAPTURE is recognised 100% IN THE YEAR OF SALE — even if no cash is received. The instalment method defers the CAPITAL gain; it never defers the recapture. That is the trap, and it can produce tax with no cash to pay it.*

§1031 boot and gain recognition

```
 Boot received = Cash + FMV of non-like-kind property + liabilities assumed BY the buyer − liabilities assumed BY the taxpayer
 Gain recognised = min(Realised gain, Boot received)
 New basis = Old basis + Boot given − Boot received + Gain recognised
```

Where: Net the liabilities.

▸ *LOSS IS NEVER RECOGNISED, even with boot. Deferred gain reduces the replacement property's basis — so the gain is postponed, not forgiven, and it resurfaces on the eventual sale.*

§1245 vs §1250 recapture

```
 §1245 (PERSONAL property): Ordinary = min(Gain, accumulated depreciation); the rest is §1231
 §1250 (REAL property): Ordinary = min(Gain, depreciation taken in EXCESS of straight-line); the remaining depreciation is UNRECAPTURED §1250 GAIN, taxed at a 25% maximum; the rest is §1231
```

Where: Recapture converts capital gain into ordinary income.

▸ *Because post-1986 real property uses straight-line, there is almost NEVER any §1250 ordinary recapture in practice — it is all unrecaptured §1250 gain at 25%. Candidates over-apply §1250 constantly.*

Estate basis vs gift basis

```
ESTATE (§1014): basis = FMV at death (or the alternate valuation date, +6 months, if elected); holding period is AUTOMATICALLY long-term
GIFT (§1015): GAIN basis = donor's carryover basis (holding period tacks); LOSS basis = the lower of donor's basis or FMV at the gift date
```

Where: The dual-basis rule for gifts.

▸ *THE PLANNING RULE: never gift LOSS property. Sell it yourself, claim the loss, and gift the cash. Gifting it destroys the loss — the donee's loss basis is capped at FMV, so the built-in loss simply evaporates.*

Charitable gift of appreciated LT property

```
To a PUBLIC charity: deduct FULL FMV, limited to 30% of AGI, 5-year carryforward; NO gain recognised
To a PRIVATE foundation (non-publicly-traded): deduct BASIS ONLY, limited to 20% of AGI
```

Where: Deduction = min(FMV or basis, the AGI limit).

▸ *The cleanest planning move available: donate appreciated stock directly and you deduct the full FMV while recognising NO capital gain. Selling first and donating the cash is strictly worse — you pay tax and get the same deduction.*

§1031 like-kind exchange — planning

```
(1) Real property only (2) 45-day identification (3) 180-day closing (4) qualified intermediary (5) related-party 2-year hold (6) boot triggers gain up to the boot
```

Where: Post-TCJA rules.

▸ *The exchange DEFERS, it does not eliminate. But because basis carries over, a taxpayer can roll gains forward indefinitely — and at death, §1014 steps the basis up and the deferred gain disappears permanently. "Swap till you drop" is a real strategy.*

Installment sale — allocation and recapture

```
GP ratio = Gross profit / Contract price;  Gain in year t = Cash received × GP ratio
Interest is ORDINARY income (imputed if not stated)
```

Where: Interest must be separated from principal.

▸ *If the contract states no interest, the IRS IMPUTES it — you cannot convert interest income into capital gain by simply omitting to charge any. The imputation rule closes that door.*

EXAM TIPS — PROPERTY TRANSACTIONS

- Recapture is the great disruptor of instalment planning: it lands entirely in year one, in cash or not.
- Never gift loss property. Sell, take the loss, gift the cash. This single rule appears in some form on almost every planning exam.
- Deferral is not forgiveness — except at death, where §1014 makes it so. That interaction is the heart of high-end property planning.

PASSING TCP

A final word on the numbers

- Every dollar figure on this sheet is year-specific and indexed. Verify against the current AICPA examinable window before you rely on any of them.
- The MECHANICS do not change annually: which bucket, which order, which limitation, which hard condition. Learn those from this sheet; look the numbers up fresh.

Choosing TCP as your discipline

- TCP suits anyone heading into tax, private client work, or advisory — and anyone who took to REG.
- It is REG at depth, with a PLANNING layer on top. The question shifts from "what is the tax?" to "what should the client have done instead?"
- The overlap with REG is substantial. Sitting TCP soon after REG, while basis rules and §351 are still fresh, is a real scheduling advantage.

The high-yield core

- The three loss hurdles: basis → at-risk → passive. Each has its own suspension rule.
- Distribution ordering for partnerships and S corporations. Write the tiers before you compute.
- Partner vs S-shareholder debt basis. Tested relentlessly.
- §1202 QSBS and §1244 — enormous benefits with unforgiving conditions.
- Entity choice modelled after-tax and after-exit, not on the headline rate.
- Recapture in an instalment sale: 100% in year one, cash or no cash.