## Practice Questions for Income Tax

## Spring 2025

#### Chapter 5

1. Under the Old Colony Trust decision, when an employer pays an employee's personal income tax obligation:
   1. The payment is excludable from the employee's gross income as a gift
   2. The payment is considered additional compensation income to the employee
   3. The payment is considered a tax-free fringe benefit
   4. The payment is deductible by the employee as a business expense
2. Which of the following is NOT a requirement for meals to be excludable from gross income under § 119?
   1. The meals must be furnished for the convenience of the employer
   2. The meals must be furnished in kind (not as cash)
   3. The meals must be furnished on the business premises of the employer
   4. The meals must be provided to all employees without discrimination
3. An employee receives property (subject to a substantial risk of forfeiture) from her employer as compensation. If she makes a § 83(b) election:
   1. She will include the FMV of the property in income when the risk of forfeiture lapses
   2. She will include the FMV of the property in income immediately
   3. She can defer all taxation until she sells the property
   4. She will be taxed only on the property's appreciation after the forfeiture period
4. Which of the following qualifies as a "de minimis fringe" benefit under § 132(e)?
   1. A $50 American Express voucher given to all employees
   2. A gold watch given to an employee at retirement worth $400
   3. Occasional personal use of the office copy machine
   4. A monthly cash allowance for meals when working late (as you will!)
5. If an employer sells property to an employee at a discount as compensation, the employee's basis in the property will be:
   1. The amount paid by the employee
   2. The fair market value of the property
   3. The employer's basis in the property
   4. The amount paid by the employee plus the amount included in income as compensation
6. Explain the "substance over form" doctrine as illustrated by the Old Colony Trust case and how it applies to compensation provided in a form other than cash.
7. What factors should an employee consider when deciding whether to make a § 83(b) election for restricted stock received as compensation?
8. Describe the requirements that must be met for a "no-additional-cost service" to be excluded from an employee's gross income under § 132(b).

#### Chapter 6

1. According to the *Glenshaw Glass* definition, which of the following is MOST accurate about what constitutes income?
   1. Only periodic receipts from invested capital or labor
   2. Only compensation for services rendered or returns on capital investments
   3. "Undeniable accessions to wealth, clearly realized, and over which the taxpayers have complete dominion"
   4. D) Only items specifically enumerated in Section 61(a)
2. In the Gotcher case, why was the value of Mr. Gotcher's expense-paid trip to Germany NOT considered taxable income?
   1. Because it was a gift from Volkswagen
   2. Because the primary purpose of the trip was to benefit Volkswagen's business interests, not Mr. Gotcher personally
   3. Because the trip was considered a qualified employee discount
   4. Because travel expenses are always excluded from gross income
3. If a taxpayer receives a rebate from a manufacturer after purchasing a product, how is this rebate typically treated for tax purposes?
   1. As taxable income under Section 61
   2. As a tax-free return of capital that reduces the basis in the purchased product
   3. As an excludable gift
   4. As taxable income only if it exceeds a certain threshold
4. In Haverly v. United States, what was the key factor that caused the free textbooks to be considered taxable income?
   1. The fact that the books were unsolicited
   2. The fact that the books were from publishers
   3. The fact that the taxpayer donated the books to charity and claimed a tax deduction
   4. The fact that the taxpayer was a school principal
5. In *Helvering v. Bruun*, what did the Supreme Court conclude about a lessor who obtains a building constructed by a lessee upon lease termination?
   1. The lessor realizes income in the year when the building is completed by the lessee
   2. The lessor realizes income in the year when the lease terminates and possession reverts
   3. The lessor never realizes income from the building because it is attached to the land
   4. The lessor realizes income spread over the remaining useful life of the building
6. Explain the concept of the "general welfare doctrine" as it applies to government payments, and provide an example of payments (one or two is sufficient) that would qualify for exclusion under this doctrine.
7. Compare and contrast the 19th century English concept of "income" with the modern concept embodied in Glenshaw Glass. How has the understanding of what constitutes taxable income evolved?
8. Explain the rationale for Congress's enactment of Sections 109 and 1019 following the Bruun decision, and VERY VERY BRIEFLY discuss whether these provisions are consistent with income tax principles.

#### Chapter 7

1. Under current tax law, which of the following is NOT a requirement for a transfer to qualify as a gift excludable under § 102(a)?
   1. The transfer must be motivated by "detached and disinterested generosity"
   2. The transfer must be in the form of property (not services)
   3. The transfer must be reported on a gift tax return by the donor
   4. The transfer must proceed from affection, respect, admiration, charity or like impulses
2. Which of the following describes how the Duberstein Court defined the term "gift" for income tax purposes?
   1. A transfer made from "detached and disinterested generosity"
   2. A transfer for which the donor receives no tax deduction
   3. Any transfer between family members
   4. A transfer made without legal consideration
3. Under § 1014, what basis does a beneficiary take in property received through inheritance?
   1. The donor's original basis
   2. The donor's basis plus any gift tax paid on the transfer
   3. The fair market value of the property at the date of death
   4. The fair market value at the time of the original purchase
4. In Olk v. United States, the court held that "tokes" received by casino dealers were:
   1. Excludable gifts under § 102
   2. Taxable income because they resulted from "involved and intensely interested" acts
   3. Tax-exempt because they were irregular and unpredictable
   4. Capital gains from gambling activities
5. Under § 101(a)(1), which of the following is generally excluded from gross income?
   1. Proceeds of life insurance received by reason of the death of the insured
   2. The cash surrender value of a life insurance policy
   3. Premiums paid for life insurance coverage
   4. Proceeds from the sale of a life insurance policy to a third party
6. Explain the practical tax consequences of § 1014 (the step-up in basis rule for inherited property) and discuss at least one policy argument for and against this provision.
7. Compare and contrast the tax treatment of an inter vivos gift and a bequest in terms of: (a) income tax consequences to the recipient, (b) basis rules, and (c) potential wealth transfer tax implications.
8. Based on the Duberstein case, explain the criteria used to determine whether a transfer constitutes a "gift" for purposes of § 102(a), and describe how the court applied these criteria in at least one of the situations presented in the case.

#### Chapter 8

1. What was the legal principle established in Lucas v. Earl?
   1. Income from property is taxed to the legal owner of the property
   2. Income cannot be shifted through anticipatory assignments of income from services
   3. Spouses in community property states can split their income for tax purposes
   4. Alimony payments are excludable from gross income of the recipient
2. In *Poe v. Seaborn*, the Supreme Court held that:
   1. Couples in community property states could each report half of their community income
   2. Assignments of future income are ineffective for tax purposes
   3. Trust income is always taxable to the grantor
   4. Gift tax applies to transfers between spouses
3. What was the primary purpose of Congress enacting § 1041 in 1984?
   1. To make alimony payments tax-deductible for the payor
   2. To ensure that property transfers in divorce were taxed twice
   3. To eliminate the confusion caused by the Davis case and state law variations
   4. To create a marriage penalty for couples with similar incomes
4. Under the grantor trust rules in §§ 671-677:
   1. Trust income is always taxable to the trust itself
   2. Trust income is taxable to the grantor if the trust is a "grantor trust"
   3. Trust income is never taxable to the beneficiaries
   4. Trust income is always taxable to the beneficiaries
5. After the Tax Cuts and Jobs Act of 2017, which of the following is true about payments between divorced spouses?
   1. Alimony payments are deductible by the payor and includable by the recipient
   2. All cash payments are tax-neutral (neither deductible nor includable)
   3. Only child support payments are tax-neutral
   4. Property transfers are taxable events for both parties
6. Explain the "kiddie tax" under § 1(g) and how it affects income-shifting strategies within families. What age thresholds apply to this provision?
7. Compare and contrast the assignment-of-income doctrine as applied in Blair v. Commissioner and Harrison v. Schaffner. What key distinction did the courts make between these two cases?
8. Describe the tax consequences of transfers of appreciated property between spouses during marriage under § 1041. How does this treatment differ from the treatment under the Davis case before § 1041 was enacted?

#### Chapter 9

1. Which of the following statements best describes the tax treatment of borrowed money under the "borrowing exclusion"?
   1. Borrowed money must be included in gross income when received
   2. Borrowed money is excluded from gross income when received due to a statutory exclusion
   3. Borrowed money is excluded from gross income when received because of the offsetting obligation to repay
   4. Borrowed money is only excluded if the taxpayer actually repays the loan
2. Under § 7872, regarding below-market loans, if a corporation makes an interest-free loan to its CEO that would normally accrue $10,000 in interest at market rates, what is the proper tax treatment?
   1. The CEO must report $10,000 as imputed interest income and the corporation can deduct $10,000
   2. The CEO must report $10,000 as compensation income and the corporation can deduct $10,000 as compensation expense
   3. The loan is tax-free to both parties, with no income or deduction consequences
   4. The CEO must report $10,000 as a gift from the corporation
3. According to the Supreme Court in Indianapolis Power & Light, what distinguishes a security deposit (not includable in gross income) from an advance payment (includable in gross income)?
   1. The payment of interest on the deposit
   2. Whether the payment is held in a separate escrow account
   3. The customer's right to choose whether to have the deposit returned or applied to future bills
   4. The deposit agreement's explicit use of the term "loan" versus "advance payment"
4. Under § 72, how is basis recovered when a taxpayer purchases an annuity with after-tax dollars and later receives annuity payments?
   1. The taxpayer recovers basis in full before recognizing any income
   2. The taxpayer ratably recovers basis from each payment based on the exclusion ratio
   3. The taxpayer recovers basis according to economic accrual of interest principles
   4. The taxpayer cannot recover basis until the annuity payments exceed the original investment
5. If Larry lends $10,000 to Betty for three years at 4% interest, with Betty making three equal annual payments of $3,603.49, how much interest will Larry include in his gross income for the first year?
   1. $400
   2. $400.01
   3. $1,200
   4. $3,603.49
6. Explain the concept of "original issue discount" (OID) as it applies to debt instruments and how the tax law treats OID for both borrowers and lenders.
7. What was the Supreme Court's holding in James v. United States regarding embezzled funds, and how did this decision correct the Court's earlier ruling in Commissioner v. Wilcox?
8. What is the meaning and significance of § 1341 in the context of the "claim of right doctrine," and how does it provide relief to taxpayers who must repay previously included income?

#### Chapter 10

1. Under the tax code, what happens when a lender is unable to recover the basis in a loan due to a borrower's failure to repay?
   1. the lender cannot claim any deduction
   2. the lender may claim a bad debt deduction under § 166
   3. the lender must amend a prior year tax return
   4. the lender must wait 7 years before claiming a deduction
2. What is the key difference between business and nonbusiness bad debts under § 166?
   1. business bad debts are deductible as ordinary losses, while nonbusiness bad debts are treated as short-term capital losses
   2. business bad debts can be partially worthless, while nonbusiness debts must be wholly worthless before any deduction is allowed
   3. business bad debts must be formally discharged in bankruptcy, while nonbusiness debts do not
   4. both a and b
3. When does a borrower realize income from discharge of indebtedness under § 61(a)(11)?
   1. a) only when the debt is formally discharged in bankruptcy
   2. only when the borrower is solvent at the time of discharge
   3. when the obligation to repay previously untaxed loan proceeds is eliminated
   4. only when the lender issues Form 1099-C
4. In the Zarin case, what was the Third Circuit's basis for holding that Zarin did not have income from cancellation of indebtedness?
   1. gambling debts are never taxable
   2. the debt was a disputed or contested liability
   3. Zarin was insolvent at the time of the debt cancellation
   4. Zarin filed for bankruptcy protection
5. Under § 108(a)(1)(B), what is the maximum amount of debt-discharge income that an insolvent debtor can exclude?
   1. the full amount of the discharged debt
   2. $50,000 per calendar year
   3. only the amount that would make the debtor solvent
   4. the amount that does not exceed the taxpayer's insolvency
6. What does § 108(b) require for a taxpayer who excludes debt-discharge income under § 108(a)(1)(A), (B), or (C)?
   1. the taxpayer must include the excluded amount in the following tax year
   2. the taxpayer must reduce certain tax attributes (such as capital loss carryovers or property basis)
   3. the taxpayer must file an amended return for the year when the debt was incurred
   4. the taxpayer must remain solvent for three consecutive years
7. Explain the modern rationale underlying the realization of debt-discharge income under § 61(a)(11). Why is income recognized when debt is canceled, and what three-part syllogism explains this treatment?
8. How did the Tax Court and Third Circuit differ in their analysis of the Zarin case? What were the key factual and legal issues that led to their different conclusions about whether Zarin realized debt-discharge income?

#### Chapter 11

1. When property is transferred in satisfaction of a debt, what is the tax treatment under § 1001?
   1. The transaction is not considered a realization event
   2. The transaction is treated as a realization event with the amount realized equal to the fair market value of the property
   3. The transaction is treated as a gift with no tax consequences
   4. The transaction is treated as if the debtor sold the property for cash equal to its fair market value and then used that cash to repay the debt
2. Under the Crane doctrine, what happens to the basis of property purchased with nonrecourse debt?
   1. The basis includes only the cash paid, not the nonrecourse debt
   2. The basis includes both the cash paid and the nonrecourse debt
   3. The basis is zero because nonrecourse debt is not a true liability
   4. The basis is determined by the property's fair market value, not the purchase price
3. In the Tufts case, what did the Supreme Court hold regarding nonrecourse debt that exceeds the fair market value of the property when the property is transferred?
   1. Only the fair market value of the property should be included in the amount realized
   2. The excess debt creates discharge of indebtedness income under § 61(a)(12)
   3. The full amount of the nonrecourse debt should be included in the amount realized under § 1001(b)
   4. The excess debt should be excluded from gross income under § 108
4. According to Revenue Ruling 90-16, when a taxpayer transfers property subject to recourse debt that exceeds the property's fair market value, what is the tax treatment?
   1. The entire transaction is treated solely as a sale under § 1001
   2. The transaction is bifurcated: (1) a sale of the property for its FMV and (2) cancellation of the excess debt creating § 61 debt-discharge income
   3. The debt is completely excluded from amount realized
   4. The transaction creates only discharge of indebtedness income with no gain or loss on the property
5. Under Revenue Ruling 91-31, what happens when the principal amount of an undersecured nonrecourse debt is reduced without a transfer of the securing property?
   1. It results in § 61(a)(12) discharge of indebtedness income
   2. It results in a reduction of the property's basis with no immediate income
   3. It is treated as a gift from the lender with no tax consequences
   4. It creates a deductible loss for the property owner
6. Under § 108(e)(5), when can a reduction of debt be treated as a purchase price adjustment rather than discharge of indebtedness income?
   1. When the debt is nonrecourse and the property's value has declined
   2. When the taxpayer is insolvent at the time of the debt reduction
   3. When the lender and the seller of the property are the same party and the debt reduction occurs while the debtor is solvent
   4. When the property has been fully depreciated before the debt reduction
   5. Explain the difference between the "collapsed approach" adopted by the Tufts majority and the "bifurcated approach" advocated by Justice O'Connor in her concurrence. What are the tax consequences of each approach when property subject to nonrecourse debt in excess of the property's fair market value is transferred?
   6. A taxpayer purchases business equipment for $100,000, using $20,000 cash and $80,000 of nonrecourse debt. After taking $30,000 in proper depreciation deductions, the taxpayer's adjusted basis is $70,000. When the equipment's fair market value has declined to $50,000, the lender agrees to reduce the outstanding debt to $60,000 with no transfer of the property. Explain the tax consequences of this debt reduction under Revenue Ruling 91-31 and describe whether § 108(a)(1)(D) or § 108(e)(5) might apply.

#### Chapter 12

1. What is the proper first step when analyzing a property disposition?
   1. determine if a nonrecognition provision applies
   2. calculate the § 1001 realized gain or loss
   3. determine the character of the gain or loss
   4. compute the basis of any property received
2. Under § 1031, which type of property exchange qualifies for nonrecognition treatment?
   1. an exchange of personal use property for investment property
   2. an exchange of one stock investment for another stock investment
   3. an exchange of one real estate investment property for another real estate investment property
   4. an exchange of inventory for business equipment
3. In a § 1031 like-kind exchange with boot received, how is the realized gain treated?
   1. no gain is recognized regardless of the boot amount received
   2. gain is recognized to the extent of the boot received
   3. gain is recognized in full regardless of the boot amount
4. What happens to the basis in new property received in a qualifying § 1031 exchange?
   1. the basis is the fair market value of the new property
   2. the basis is the same as the exchanged property's basis decreased by any money received and increased by recognized gain
   3. the basis is the fair market value of the exchanged property plus any recognized gain
   4. the basis is always equal to the fair market value of property given up
5. Under § 1033 involuntary conversion rules, what conditions must be met to defer gain recognition?
   1. a) the replacement property must be purchased within 5 years of the conversion
   2. b) the replacement property must be identical to the converted property
   3. c) the replacement property must be "similar or related in service or use" and acquired within the replacement period
   4. d) the taxpayer must reinvest exactly the same amount received in the conversion
6. Under § 267, what happens when a taxpayer sells property at a loss to a related party?
   1. a) the loss is allowed in full
   2. b) the loss is disallowed but the related party takes a substituted basis
   3. c) the loss is disallowed but preserved for potential offset against future gains by the related party
   4. d) the loss is permanently disallowed with no future tax benefit
7. Explain the difference between a "qualified intermediary" and a regular escrow agent in the context of § 1031 deferred exchanges. Why was the taxpayer in the Crandall case unable to qualify for nonrecognition treatment?
8. A taxpayer owns investment property with a basis of $400,000 and fair market value of $1,000,000. The property is destroyed in a fire and the taxpayer receives $1,000,000 in insurance proceeds. Explain the tax consequences if: (a) the taxpayer reinvests all $1,000,000 in qualifying replacement property within the replacement period; and (b) the taxpayer reinvests only $800,000 and keeps $200,000.

#### Chapter 13

1. Under the Internal Revenue Code, which of the following assets would NOT be eligible for depreciation?
   1. manufacturing equipment used in a business
   2. n apartment building rented to tenants
   3. land purchased for business use
   4. a patent purchased for business use
2. Which statement best describes the "half-year convention" under § 168(d)(1)?
   1. taxpayers can only deduct half the normal depreciation in the first year
   2. taxpayers are assumed to place property into service in the middle of the year
   3. property is only depreciable if used for business more than half the year
   4. taxpayers must maintain the property for at least half a year to claim depreciation
3. Which method of depreciation is required for nonresidential real property under § 168(b)?
   1. 200% declining balance method
   2. 150% declining balance method
   3. straight-line method
   4. accelerated cost recovery method
4. Under § 179 for the 2025 tax year (ignoring inflation adjustments), what is the maximum amount that a small business can immediately expense?
   1. $25,000
   2. $500,000
   3. $1,000,000
   4. $1,250,000
5. Which of the following is eligible for § 168(k) bonus depreciation?
   1. residential rental property
   2. nonresidential real property
   3. equipment with a recovery period of 5 years
   4. land purchased for business use
6. Under § 163(j), what is the general limitation on business interest expense deductions?
   1. business interest is fully deductible regardless of amount
   2. business interest is deductible only up to 30% of adjusted taxable income
   3. business interest is not deductible if the property was eligible for bonus depreciation
   4. business interest is deductible only if the business has gross receipts under $25 million
7. Explain the concept of economic depreciation and how it differs from the accelerated depreciation methods allowed under the Internal Revenue Code. Why does the tax code permit depreciation that is faster than economic depreciation?
8. Describe what tax arbitrage means in the context of debt-financed purchases of assets that can be immediately expensed or rapidly depreciated. How did the Tax Cuts and Jobs Act attempt to limit this type of tax arbitrage?

#### Chapter 14

1. 1211(b), what is the maximum amount of capital losses that an individual can deduct against ordinary income in a given tax year?
   1. $1,000
   2. $3,000
   3. $5,000
   4. Unlimited
2. What happens to capital losses that cannot be deducted in the current year due to the §1211(b) limitation?
   1. they are permanently lost
   2. they are carried forward indefinitely under §1212(b) until used or until the taxpayer dies
   3. they can be carried back to the previous tax year
   4. they can be deducted over the next five years in equal annual installments
3. Which of the following is NOT a capital asset as defined in §1221?
   1. shares of corporate stock held for investment
   2. personal residence
   3. inventory held primarily for sale to customers
   4. collectible artwork held for investment
4. When a taxpayer sells real estate that has been depreciated, what tax treatment applies to the portion of gain attributable to prior depreciation deductions?
   1. it is treated as ordinary income under §1250 depreciation recapture
   2. it is all treated as capital gain
   3. it is taxed at a maximum rate of 25% as "unrecaptured §1250 gain"
   4. it is fully exempt from taxation
5. Under §1231, if a taxpayer's §1231 gains exceed §1231 losses for the year, how are these gains and losses treated?
   1. all gains and losses are treated as ordinary
   2. all gains and losses are treated like long-term capital gains and losses
   3. gains are ordinary but losses are capital
   4. gains are capital but losses are ordinary
6. What is the maximum tax rate applicable to "net capital gain" for most taxpayers in 2025?
   1. 15%
   2. 20%
   3. 25%
   4. 37%
7. Explain the "Arrowsmith doctrine" and how it relates to the characterization of gains and losses in transactions that are linked to prior tax events.
8. What are the tax planning implications of the §1211(b) capital loss limitation rule? Specifically, explain when it might be more advantageous for a taxpayer to realize a capital loss in the current tax year versus deferring it to a future tax year.

#### Chapter 15

1. What are the two general categories of tax shelters described in the chapter?
   1. legal and illegal tax shelters
   2. business and personal tax shelters
   3. mismeasurement of SHS wealth increases/decreases and conversion of high-taxed ordinary income to low-taxed capital gain
   4. corporate tax shelters and individual tax shelters
2. What is the primary purpose of §163(d)'s investment interest limitation?
   1. to prevent taxpayers from deducting interest on debt used to purchase tax-exempt bonds
   2. to limit interest deductions to the amount of investment income, preventing sheltering of other income
   3. to deny all interest deductions related to investment activities
   4. to allow unlimited interest deductions for qualifying taxpayers
3. Under §461(l) as amended for 2025, how much of a business net loss can an individual taxpayer offset against nonbusiness income?
   1. $250,000
   2. $289,000
   3. $313,000
   4. $500,000
4. The "business purpose doctrine" originated in which case?
   1. Knetsch v. United States
   2. Gregory v. Helvering
   3. Estate of Franklin v. Commissioner
   4. Goldstein v. Commissioner
5. Under §469, which of the following is NOT considered a "passive activity"?
   1. a rental real estate activity
   2. any activity in which the taxpayer does not materially participate
   3. an activity held through a limited partnership
   4. an activity that generates interest, dividends, or capital gains from investment portfolio
6. Under §163(d), investment interest expense deductions in a year are limited to:
   1. $3,000
   2. the amount of interest income received
   3. the taxpayer's net investment income for the year
   4. 50% of the taxpayer's adjusted gross income
7. Explain the "at-risk" rules under §465 and how they interact with nonrecourse debt in tax shelter arrangements. Include in your answer how "qualified nonrecourse financing" for real estate is treated differently than other nonrecourse debt.
8. Compare and contrast §469's "passive activity loss" (PAL) rules with the "at-risk" rules under §465. What problem was §469 designed to address that §465 failed to solve, particularly with respect to real estate tax shelters?

#### Chapter 17

1. Under the Tax Cuts and Jobs Act (TCJA), what is the maximum amount of acquisition indebtedness on which a taxpayer can deduct qualified residence interest?
   1. $1,000,000
   2. $750,000
   3. $500,000
   4. $10,000
2. Jane donates inventory from her business that cost $1,000 and is now worth $5,000 to a qualified charity. What amount can Jane deduct as a charitable contribution?
   1. $5,000
   2. $4,000
   3. $2,500
   4. $1,000
3. Which of the following statements about Health Savings Accounts (HSAs) is correct?
   1. Contributions are deductible, earnings are taxed annually, and qualified withdrawals are tax-free
   2. Contributions are deductible, earnings accumulate tax-free, and qualified withdrawals are taxable
   3. Contributions are deductible, earnings accumulate tax-free, and qualified withdrawals are tax-free
   4. Contributions are non-deductible, earnings accumulate tax-free, and qualified withdrawals are tax-free
4. Which of the following is NOT a requirement for excluding gain on the sale of a principal residence under §121?
   1. The taxpayer must purchase a new residence of equal or greater value
   2. The taxpayer must have owned the residence for at least 2 years during the 5-year period ending on the date of sale
   3. The taxpayer must have used the residence as a principal residence for at least 2 years during the 5-year period ending on the date of sale
   4. The gain cannot exceed $250,000 ($500,000 for married filing jointly)
5. In 2025, Susan had AGI of $100,000 and incurred $9,000 in unreimbursed medical expenses. How much can she deduct as an itemized deduction for medical expenses?
   1. $9,000
   2. $7,500
   3. $1,500
   4. $0
6. John donates corporate stock to a qualified charity. He purchased the stock 2 years ago for $6,000, and its fair market value at the time of donation is $10,000. What amount can John deduct as a charitable contribution?
   1. $6,000
   2. $10,000
   3. $4,000
   4. $0
7. Under the TCJA through 2025, what is the maximum amount of state and local taxes (SALT) that can be deducted by an individual taxpayer?
   1. No limit applies to SALT deductions
   2. $5,000
   3. $10,000
   4. $25,000
8. Explain the concept of "imputed income" from owner-occupied housing. Why does the U.S. tax system exclude this form of income, and what economic distortions might this exclusion create?
9. A taxpayer wants to donate appreciated property to a qualified charity. Explain how the tax treatment differs depending on whether the property is: (a) corporate stock held for 2 years, (b) inventory from the taxpayer's business, or (c) artwork that the charity plans to sell immediately rather than display. What factors determine the deductible amount in each case?