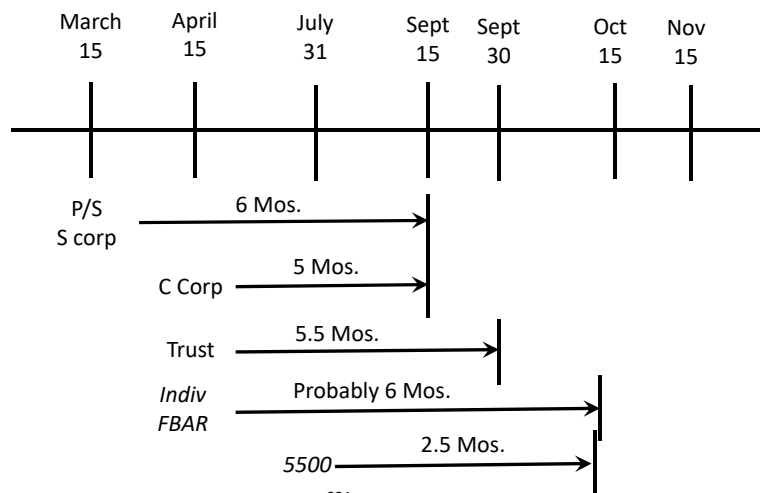


2016 Tax Update Examples

New Legislation



New Slide – S Corp Stock Sale

	A/B	FMV	Gain		
Cash	\$ 100	\$ 100	0	Acct Pay	\$ 50
Receivables	200	200	0	Note Pay	175
Inventory	150	150	0	Total Liab.	\$ 225
Securities	30	50	20		
Equipment	0	250	250		
Goodwill	0	250	250		
	-----	-----	-----		
Total	480	1,000	520	Purchase Price	\$ 775

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105A

C Corporation



100%



Single Owner

OK – not a group



50% 50%



Unrelated

Penalty



0% 100%



H & W

Penalty

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127B

S Corporation



100%



Single Owner

OK – not a group



50%

50%



Unrelated

2% Exception

127C



0%

100%



H & W

Exception?

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S Corporation



30%

40%

30%



Unrelated

2% Exception



50%

50%

0%



Unrelated

Penalty

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127D

Assume H under W's Plan

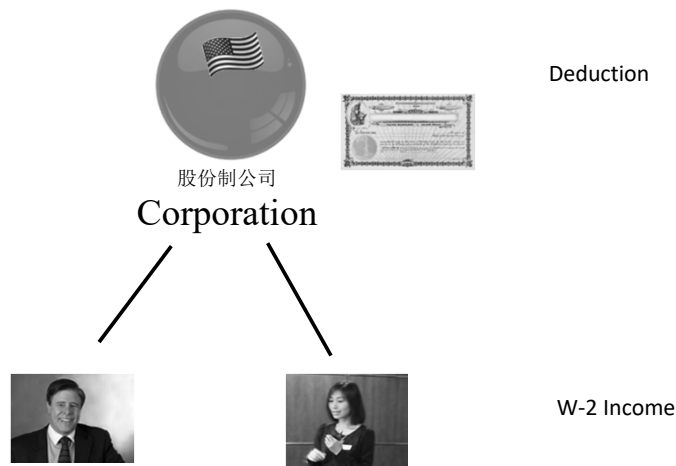


➤ If paid after tax, then H's employer may reimburse before tax.

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171A

Example



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179A

IRA Ownership

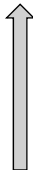


Probably

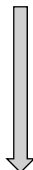
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183A

Prohibited Transactions



Guarantee



What about an imputed salary?

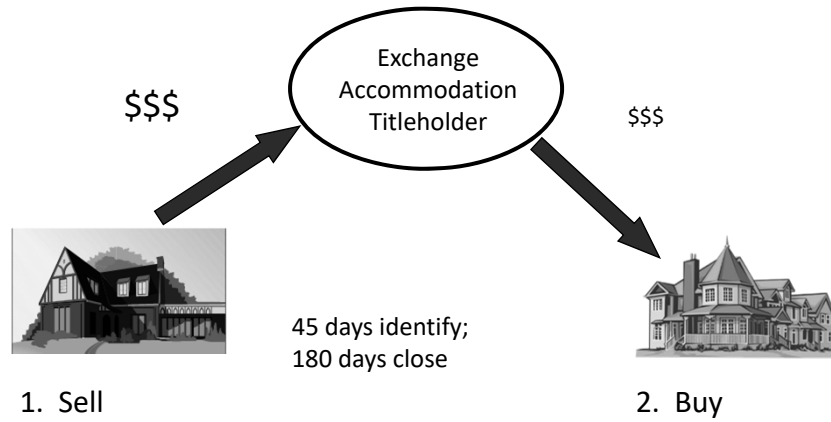
Practical Aspects?

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183B

Extra Slide - Section 1031

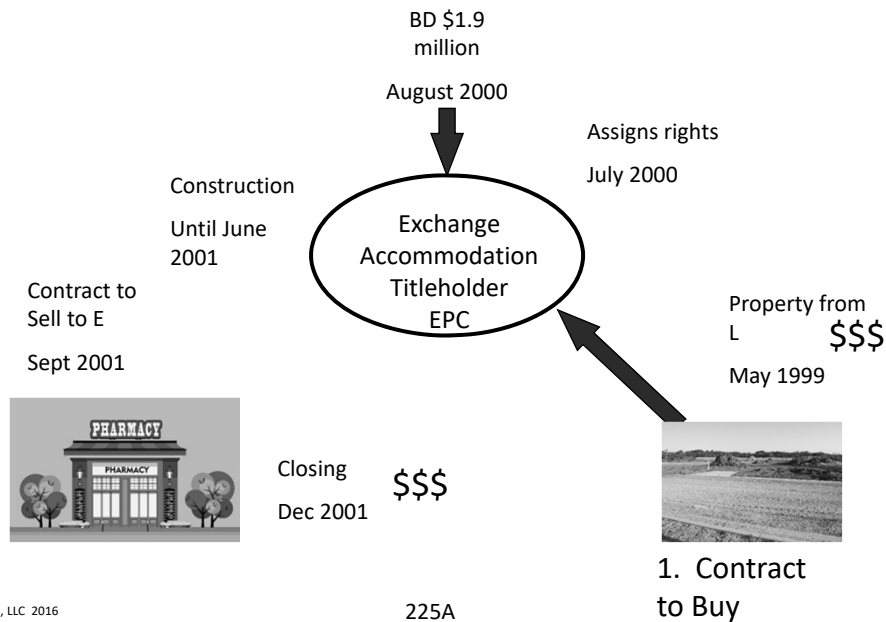
- Three Requirements Must be an exchange
 - Starker Exchange – identified in 45 days; acquired in 180 days



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223B

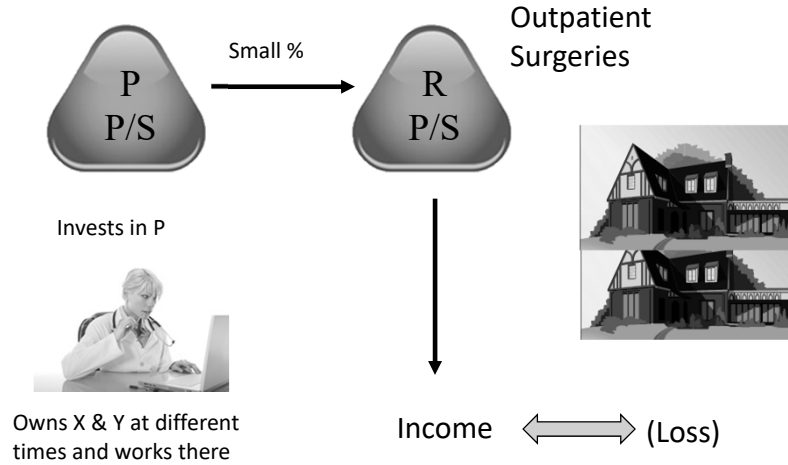
Extra Slide - Section 1031



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225A

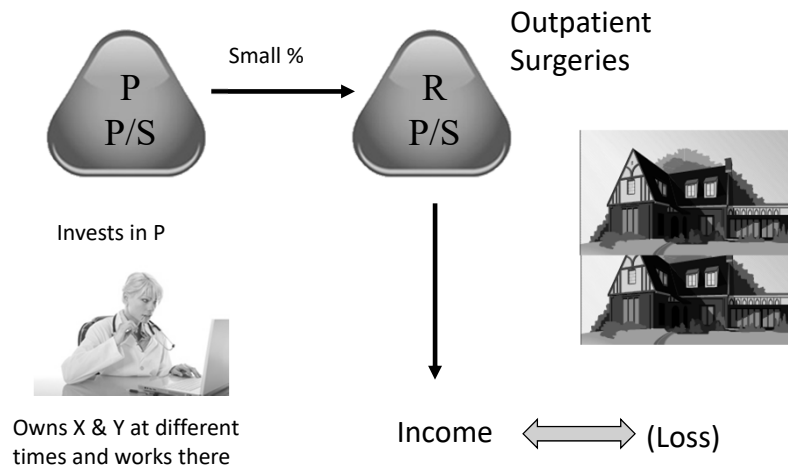
IRS Cannot Regroup Doctor's Interests



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264A

IRS Cannot Regroup Doctor's Interests



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264A

IRC § 1402(a)(13)

“there shall be excluded the distributive share of any item of income or loss of a limited partner, as such, other than guaranteed payments described in section 707(c) {Guaranteed Payment} to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services;”

No definition of limited partnership

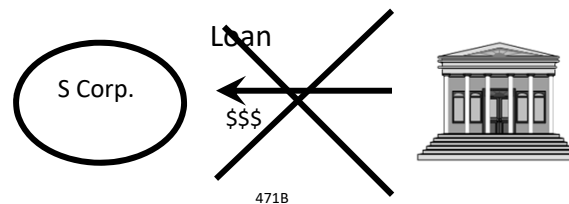
IRC § 1402(a)(13)

“there shall be excluded the distributive share of any item of income or loss of a limited partner, as such, other than guaranteed payments described in section 707(c) {Guaranteed Payment} to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services;”

No definition of limited partnership

Basis for S-Corporation Shareholder

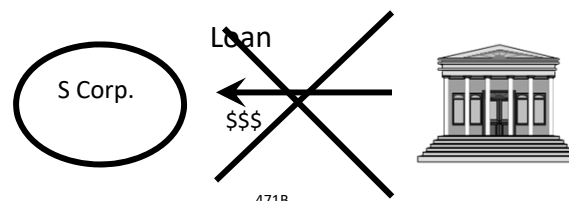
- Issue is loss on S Corp.
 - Does the S Corp. shareholder have basis?
- Rules are not the same as P/S
- Shareholder must have put cash into the S corp as a loan (economic outlay)
- A bank loan directly to the corporation does not create S corp. shareholder basis



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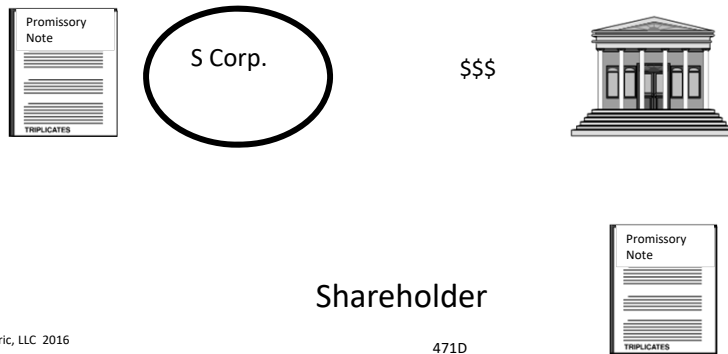


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Basis for S-Corporation Shareholder

■ Better method

- Bank loans to shareholder (payor or obligor)
 - Corp. may guarantee
- Shareholder loans proceeds to the corp.



Administratively Inconvenient

■ Payments on Notes

- S Corp. pays the shareholder
- Shareholder pays the Bank

