

Taxation of Real Estate Investments FALL, 2018

RE360.1 (#03810)
ACC378.5 (#02530)
ACC380K.27 (#02705)
LAW379M (#28730)

Schedule: Mon and Wed, 12:30pm-1:45pm
Classroom: GSB 2.122
Office: CBA 6.304G.
Office Hours: 11:00am-11:30am, Mon and Wed and by appointment.
Instructor: Stuart R. Singer
Email: stuart.singer@mcombs.utexas.edu.

Purpose of Course:

The purpose of the class is to develop your ability to understand how U.S. tax law analyzes transactions involving investment in real estate assets and securities. The class is divided into five parts: (1) An introduction to the federal income tax; (2) a review of taxation of real estate acquisitions, operations and dispositions; (3) a study of the legal entities through which most real estate investments are made; (4) examination of the principal real estate investment securities (REITs and REMICs); and (5) other significant real estate tax issues (including investments by foreigners, tenancies-in-common and like-kind exchanges).

Class Schedule

Wednesday, October 10 will be **HAT DAY**. Everyone must wear a hat to class.

There will be no class on Wednesday, October 24 or Monday November 20.

Part of the class on **Monday, October 2** will be devoted to a session on preparing the Practice Memorandum assigned that morning. This practice memo will be due on Thursday, October 5.

Course Materials

The course materials will include of readings in Rosenfeld, Principles of Real Estate Accounting and Taxation. There will be other materials, all available in the course packet available at the McCombs COPY CENTER on the Third Floor in GSB.

Classroom Department

Cell phones must be turned off while you are in class. **You may NOT use laptops in class.** Beverages are OK, but no food in class.

Evaluation and Grades

I will determine your final grade on the basis of your class participation and the two memorandum assignments, each to be weighted equally. There will be no exams.

Reading Assignments

The tax issues involved in real estate transactions are sometimes difficult and complex, even in a summary course such as this one. Moreover, the knowledge in classes 1, 2 and 3 will form the base for understanding the material in classes 4, 5, and 6, and so on. You cannot fall behind in these assignments

Written Assignments

There will be two written assignments in the form which you, as professionals, would prepare for clients or employers. **The memorandum assignments will be given to you on Monday, October 22 and Thursday December 6, respectively, and you will have 4 days to turn them in.**

Class Participation

Since every professional must be able to communicate any thoughts and analysis, I expect every student to participate regularly in our class discussion. **There will be no exceptions; you cannot succeed in this course unless you are prepared every day to recite in class.** It is far more important for each student to make efforts than to get the “right” answer. As professionals, all of the knowledge in the world will accomplish nothing unless it is coupled with the ability to express it clearly and to discuss it with your peers. I will grade each student each day on participation.

Missed Assignments and Attendance

You will be excused from turning in work timely if you are deceased or if you become a parent during the semester. I am willing to entertain other excuses, but don't get your hopes up. A similar policy applies to taking an “incomplete” for the course.

Scholastic Dishonesty--Departmental Policy on Scholastic Dishonesty. The Department of Accounting has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the department's Policy Statement on Scholastic Dishonesty. By teaching this course, I have agreed to observe all the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification.

Professional Conduct. The highest professional standards are expected of all members of the McCombs community. The collective class reputation and the value of the Texas experience hinges on this.

Students with Disabilities: The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, you may call the Office of the Dean of Students at 471-6259, 471-4641 TTY.

THE FOLLOWING SCHEDULE MAY BE AMENDED DURING THE SEMESTER IN ORDER TO ACCOMMODATE GUEST SPEAKERS ON A FEW OF THE TOPICS.

| # | DATE | TOPIC | TEXT READING |
|-------|----------------------|--|--|
| | | PART ONE: INTRODUCTION TO FEDERAL INCOME TAX | |
| 1 | 8-29 | Introduction to Course. | |
| 2 | 9-5 | Federal Taxation- Basics | Introduction to Federal Tax (Bittker & Lokken excerpt) |
| | | PART TWO: TAXATION OF REAL ESTATE | |
| 3-4 | 9-10 & 9-12 | Acquisition of Real Estate | Rosenfeld, Chapters 3 and 5 |
| 5-6 | 9-17 & 9-19 | Operation of Real Estate | Rosenfeld, Chapters 6 and 7 |
| 7-8 | 9-24 & 9-26 | Disposition of Real Estate | Rosenfeld, Chapter 4 |
| | | PART THREE: ANALYSIS OF INVESTMENT VEHICLES | NOTE: Assignment for Practice Memorandum, Monday, October 2. |
| 9-10 | 10-1 & 10-3 | Types of Investment Vehicles | Rosenfeld, Chapter 1 |
| 11-12 | 10-8 & 10-10 | Taxation of C Corporations and S Corporations | Excerpt from the Mulcahy case |
| | | PART FOUR: TAXATION OF REAL ESTATE SECURITIES | NOTE: Assignment for First Memorandum, Monday, October 22. |
| 13-14 | 10-15 & 10-17 | Taxation of Partnerships and LLCs | Excerpt from McKee et al., <i>Federal Taxation of Partnership and Partners</i> |
| 15-17 | 10-22, 10-29 & 10-31 | Real Estate Investment Trusts | Kim et al., "Decade of the REIT" |
| 18-19 | 11-5 & 11-7 | Real Estate Mortgage Investment Conduits | Wunder, "REMICs --- the Newest Investment Medium" |
| | | PART FIVE: TAXATION OF OTHER REAL ESTATE TRANSACTIONS | |
| 20-22 | 11-12, 11-14 & 11-26 | Like-Kind Exchanges | Foster, "A Checklist for Real Estate Like-Kind Exchanges" |
| 23-24 | 11-28 & 12-3 | Tenancies in Common | Lipton, "Like-Kind Exchanges of Undivided Fractional Interests in Real Estate" |
| 25-26 | 12-5 & 12-10 | Taxation of Real Estate Investments by Foreign Persons | NOTE: Assignment for Second Memorandum, Thursday, December 6. |