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- a. What's not included in gross income?
 - i. Bargain purchase at time of purchase
 - 1. wait until realize benefit before reporting
 - ii. Imputed income
 - iii. Loans
 - 1. b/c of the offsetting obligation to repay
 - iv. Security deposits
 - 1. b/c of the offsetting obligation to repay
 - v. Qualified Scholarships
 - 1. Excluded from gi:
 - a. Tuition and fees
 - b. Books and supplies
 - 2. Included in gi:
 - a. Room and board
 - b. Compensation for services, including quid pro quo
 - c. Teaching
 - d. Research
 - vi. Gifts, inheritances

1. Exception (included in gi):

- a. Employee gifts

2. Gift

- a. A gift proceeds from:

- i. A detached and disinterested generosity,
- ii. Out of affection, respect, admiration, charity

- 1. N/ out of love and affection: Berman gave Duberstein the Cadillac b/c he got new client referrals from Duberstein. He testified that he feared he wouldn't receive subsequent referrals if he didn't give Duberstein the Cadillac. It was at bottom a recompense for Duberstein's past services, or an inducement for him to be of further service in the future

- 2. N/ out of love and affection: Whether the payments to the Rev. were taxable income or excludable gifts? Held that regular, sizable payments made by persons to whom T provides services are regarded as a form of compensation and may be treated as taxable income

3. Inheritance

- a. To determine whether there is an inheritance:

- i. Examine the intent of the parties,
 - ii. The reasons for the transfer, and
 - iii. The parties' performance in accordance w/ their intentions/

iv. Issue: Whether an atty contracting to and performing lifetime legal services for a client receives income when the client, pursuant to the K, bequeaths a subst'l sum to the atty in lieu of the payment of fees during the client's lifetime? No

1. Substance trumps Form

- a. What was the substance of the transaction? Compensation for services rendered. She was paying the atty for the legal services he rendered her during her divorce and to prepare her will. The provisions of the will went to satisfy her obligation under the K. The K was one for the postponed payment of legal services
- b. What was the form of the transaction? A transfer in the form of a bequest was the method that the parties chose to compensate Wolder for his legal services, and that transfer is subject to taxation

vii. Life Insurance proceeds

viii. The amt. of any damages (other than punitive damages) rec'd on acct. of personal physical injuries or physical sickness (this includes back pay and lost profits awarded as damages on acct. of personal physical injury)

1. Are damages excluded from gi?

- a. Q1: In lieu of what were damages paid?
- b. Q2: Are such amounts taxable?

c. Damages for personal injury are excluded from gi if the damages:

i. Were paid on acct. of personal, physical injury and

1. In a wrongful discharge lawsuit, wage loss is caused by the tortious employment termination, n/ by any physical injury that may also have been caused by the wrongful discharge. The amt. of back wages recovered is completely independent of the existence of any personal injury. The recovery of back wages was n/ on acct. of any personal injury and no personal injury affected the amt. of back wages recovered. Whether one treats respondent's attaining the age of 60 or his being laid off on acct. of his age as the proximate cause of respondent's loss of income, neither the birthday nor the discharge can fairly be described as a personal injury. Though respondent's unlawful termination may have caused some psychological or personal injury, no part of respondent's recovery of back wages is attributable to that injury

a. bruise,

b. cuts,

c. swelling, and

d. bleeding

ii. On acct. of a tort-type action

2. Progression

a. Tortious act

- i. Car accident
- b. Causes personal injuries which
 - i. Broken leg
- c. Causes further damages
 - i. economic loss (in form of lost wages) due to physical inability to work