
Preface

Many tax professors and not a few practitioners have long considered William D. Andrews' *Basic Federal Income Taxation* to be the most insightful, policy-oriented, and coherent treatment of the field. The prospect of losing such a remarkable tool upon retirement was not a happy one, but fortunately Professor Andrews decided to keep the book current with the assistance of a coauthor. Under such circumstances the role of a coauthor is to be a faithful steward, not an innovator; the cardinal rule of revision is, do no harm. This seventh edition of *Basic Federal Income Taxation* aims to update a classic while preserving its distinctive attributes.

The style of the book has been retained, with its focus on cases and tax policy. These observations from the preface to the fifth edition remain apt:

We are teaching students for a career at the bar, not just a season, and one of the challenges is to sort out and focus on things that are likely to be of lasting importance. I try to think what students will most need to know and understand ten years from now. From this perspective the main objective is to teach students about persistent underlying problems, to which current legislation may be only an ephemeral response. But ephemeral or not, it is the authoritative text through which the persistent problems are currently revealed.

Cases, text, and problems — this book has all of these. What appears to distinguish it now is more cases and less text than some other books. For students just coming to the subject, selected cases often represent by far the most efficient way to arouse interest and define the problems with which the statute and administrative authorities must deal. Even cases that turn closely on superseded provisions offer a good base for evaluating subsequent legislative provisions, actual and potential. In a sense, cases provide a proxy for the actual experience seasoned professionals will bring to bear in studying the statute. There may be other proxies, but good law students respond to judicial opinions in a lively, interactive way that is hard to duplicate with any other materials.

The book's organization follows the sixth edition. Two distinctive organizational choices seem worth highlighting. First, the materials on alimony, child support, divorce property settlements, and the kiddie tax, which often appear scattered throughout tax casebooks, are collected in a chapter titled "Taxation and the Family," where they are presented in conjunction with the cases on interspousal income attribution and the treatment of the marriage penalty and bonus. (Although placed as Chapter 17, the material on taxation and the family could be taken up at any time after Chapter 4, on

gifts.) Second, Chapter 6, titled “Return of Capital and Timing Issues,” provides a conceptual overview of return of capital alternatives (basis recovery techniques) and gathers together the many important issues relating to accounting methods (constructive receipt, original issue discount, prepayments, security deposits, inventories, etc.). This consolidated approach to tax timing includes a number of advanced topics, and so instructors may want to be selective. (We suspect that many instructors will cover Chapter 6A–C only, and then skip to Chapter 7 on loans.)

The passage of five years since publication of the sixth edition has of course occasioned numerous changes to reflect new developments. On the legislative front, notable developments include the tax aspects of the 2010 health care reform legislation, and the 2013 increases in the maximum income and capital gain tax rates. Important administrative developments include the controversy surrounding IRS scrutiny of political activity by §501(c)(4) social welfare organizations, deductions for losses stemming from the Bernie Madoff Ponzi scheme, and federal recognition of same-sex marriages in the wake of the Supreme Court’s 2013 *Windsor* decision. This edition also gives more attention to the distribution of individual income tax burdens across the income spectrum, from the earned income tax credit to the impact of capital gain rates on high-end progressivity.

Reflecting on interim developments, in 2009 we noted that the grand compromise of the Tax Reform Act of 1986 (lower rates for a broader base) had continued to unravel, as both the Bill Clinton and George W. Bush Administrations sought to advance contested policy priorities piecemeal through tax incentives. The Obama Administration has not reversed that trend, nor made comprehensive tax reform a political priority. Viewed at large, Congress still seems engaged in a halting semi-conscious (intermittently candid?) conversion of the federal revenue system from a realization-based income tax to a covert personal consumption tax.

A note about conventions: Where footnotes from excerpted material (cases, committee reports, etc.) are reproduced, the original numbering is retained. Authors’ footnotes are numbered consecutively within each chapter, except that authors’ footnotes added to excerpted material are indicated with an asterisk (*) and the note appears in square brackets with an indication of source (—Eds.). All section references in this book, unless otherwise indicated, are to the Internal Revenue Code of 1986, which is Title 26 of the United States Code. References to Treasury regulations, which are in Title 26 of the Code of Federal Regulations, are given as “Reg. §”.

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Peter J. Wiedenbeck
St. Louis, Missouri

William D. Andrews
Cambridge, Massachusetts
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