

FEDERAL INCOME TAX
University of Cincinnati College of Law
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Problems for First Class

1. Wimpy (of Popeye fame) tells you “I will gladly pay you Tuesday for a hamburger today.” Assuming the hamburger costs \$1, and we change “Tuesday” to next year, would you agree to such a deal with Wimpy?
2. In 1626, the Man-a-hat Indians sold what is now New York City to the Dutch for \$24. Conventional lore is that the Indians got “taken.” Did they?
3. Andy wins \$2 million in the Ohio lottery payable in \$100,000 annual installments over twenty years. How much income does Andy have? When must he report the income?
4. Compare the original 1913 income tax form with President and Mrs. Bush’s 2007 tax return. Which better explains the increased tax burden over the past ninety years – higher tax rates or lower income thresholds for imposition of the tax?

FOR PROBLEMS 5 AND 6, YOU MUST USE REV. PROC. 2007-66 AT THE FRONT OF THE CCH CODE & REGS BOOK

5. Amy, a single taxpayer with no dependents, has adjusted gross income of \$80,000 in 2008. Assume (somewhat unrealistically) that she does not itemize her deductions and instead uses the standard deduction. What is her 2008 tax liability, marginal tax rate, and average tax rate? (Ignore the potential application of any tax credits.)
6. Ben and Cindy, a married couple with two dependent children, have an adjusted gross income of \$120,000 in 2008. Assume (somewhat unrealistically) that they do not itemize their deductions and instead use the standard deduction. What is their 2008 tax liability? (Ignore the potential application of any tax credits.)