

United States International Taxation

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FIFTH EDITION

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*Well I ain't afraid of dying, it's the thought of being dead
I want to go on being me once my eulogy's been read
Don't spread my ashes out to sea, don't lay me down to rest
You can put my mind at ease if you fill my last request*

*Prop me up beside the jukebox if I die
Lord I want to go to Heaven
But I don't want to go tonight
Fill my boots up with sand
Put a stiff drink in my hand
Prop me up beside the jukebox if I die*

*Just let my headstone be a neon sign
Just let it burn in memory of all of my good times
Fix me up with a mannequin
Just remember I like blondes
I'll be the life of the party
Even when I'm dead and gone . . .*

Joe Diffie
"Prop Me Up Against
the Jukebox (If I Die)"
(1993)

*Life after 77 is a bullfight! The problem is, you are the bull!
He does not leave the ring alive!*

*All that is left is limited time in which to fight!
Let the matador know that I am not going quietly.*

The battle is on.

—PFP

*“In learning you will teach, and
in teaching, you will learn.”*

Phil Collins

*To my earliest teachers in tax law: Philip, David,
Bob, Herb, Charlotte, Barry, Rob, and many others;
and to those who continue to teach me,
my students.*

—GAT

To Em and Joshy—I love you very much!

*And to my clients and students at
Northwestern Law School, who have taught
me just as much, if not more, than the
other way around.*

—MBW

“Just when I thought I was out, they pull me back in.”

Michael Corleone
The Godfather: Part III

*To Jeff Sheffield, our esteemed co-author
on the Third and Fourth Editions,
who helped considerably in upgrading
this Fifth Edition but was wise enough to resist our
persistent efforts in attempting to pull him back in!*

—PFP, GAT, and MBW

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Preface

This book contains teaching materials for law school courses on the United States federal income taxation of persons engaged in international transactions. It contains 17 separate Units that address fundamental concepts of residency and source, the taxation of United States persons (citizens, residents, and domestic corporations) on their activities abroad, the taxation of foreign persons (non-resident alien individuals and foreign corporations) on their activities within the United States, and the safeguard rules in place to curtail potentially abusive tax deferral in the international context. We have also added two new Units addressing international tax issues raised by partnerships in the outbound and inbound contexts.

The Units in this casebook are arranged so that instructors may assign only those that are consistent with particular course objectives and Units may be presented in an alternative order, as appropriate. Each Unit is organized in four parts:

- A. Assigned Code and Regulation Provisions
- B. Problems for Class Discussion
- C. Overview
- D. Reference Materials

Students should begin their class preparation by reading the Code and Regulation provisions set forth in Part A of the assigned Unit and working through the Problems in Part B. The overview in Part C and the reference materials in Part D (cases, rulings, and other relevant authorities) provide the context in which the Code and Regulation provisions come into play, how they relate to the assigned Problems, and offer a starting point from which students may conduct further research. Using this added context, students may then review and refine their initial answers to the Problems.

This edition has been revised to reflect recent changes to the United States international tax laws and to focus on key concepts that can be covered in a one-semester introductory course.

