

Professor Bret Wells

**Law Center
University of Houston**

Federal Income Taxation

Syllabus

Fall Semester 2026

Perspectives Concerning Taxation

“Basic tax, as everyone knows, is the only genuinely funny subject in law school.”

-- **Martin D. Ginsburg**

“One of the problems with trying to have a rational discussion about taxes is that so many people want to believe what's convenient rather than what's accurate. Believing, after all, requires so much less effort than thinking.”

-- **Allan Sloan**

“The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.”

Adam Smith
Wealth of Nations

“Taxes are what we pay for civilized society.”

Justice Oliver Wendell Holmes,
Compania General de Tabacos de Filipinas
v. Collector of Internal Revenue,
275 U.S. 87, 100 (1927) (dissenting).

“[T]axation, in reality, is life. If you know the position a person takes on taxes, you can tell their whole philosophy. The tax code, once you get to know it, embodies all the essence of life: greed, politics, power, goodness, charity.”

-- **Sheldon S. Cohen**

“Taxation is, in fact, the most difficult function of government and that against which their citizens are most apt to be refractory.”

-- **Thomas Jefferson**

“America's tax laws are similar to the writings of Karl Marx and the writings of Sigmund Freud in that many of the people who loudly proclaim opinions about these documents have never read a word of them.”

-- **Jeffery L. Yablon**

“Tax issues are fun. Getting to love them may take a bit of effort, but the same is true for Beethoven's string quartets, and think of how much pleasure they give if one does make the effort.”

-- **Peter L. Faber**

“People want just taxes more than they want lower taxes.”

-**Will Rogers**

FEDERAL INCOME TAX

Fall Semester 2026

Professor Wells

1. **Class sessions:** Monday, Tuesday, and Wednesday from 9:00 A.M. to 10:20 A.M.
There are no scheduled make-up classes at this time, but make-up classes are possible albeit not expected.
2. **Required materials:**
 - (a) DANIEL SIMMONS & MARTIN J. MCMAHON, BRET WELLS, & CHARLENE D. LUKE
FEDERAL INCOME TAXATION (Foundation Press 9th ed. 2026)
(ISBN: 9798887866789)
 - (b) BRET WELLS AND CLINT WALLACE, THE “LOGIC” OF THE INCOME TAX (West 2026) (ISBN: 9798892095198)
 - (c) Foundation Press, “Federal Income Tax — Code & Regulations, Selected Sections,” 2026-2027 Edition (ISBN: 9798317709945). This volume contains (i) provisions of the Internal Revenue Code of 1986 (the most recent complete “codification” of the tax statutes), as subsequently amended on numerous occasions, and (ii) selected important “regulations,” as promulgated by the U.S. Department of the Treasury.
3. **Supplementary reading material:** The UH Law Library has on reserve other hornbooks and study guides that may also be consulted.
4. **Course Modality.** This course is designated to be taught in-person. It is my desire to teach this course in-person. There may be instruction mode changes to this course up through two weeks before the first day of classes for the term. If such change in modality were made, then notice of this change will be sent to then-registered students. For this course, students are expected to normally be physically present in the classroom. This course has a final examination, and it will be administered as an in classroom examination requiring your physical presence. Although my preference is to allow students the option to participate via remote presence by Zoom on an occasional basis, it is not known whether or not such flexibility will be authorized. So, students should not rely on an expectation that remote presence will be available. Even if this remote presence modality were available, as previously indicated, my desire is to teach this course through an in-person modality, so please do expect to regularly attend classes in-person. If remote presence were allowed, I would allow you to attend via remote presence if my prior approval is obtained at least two hours before the particular class session is to commence. For those who do obtain my prior approval and are then allowed to attend remotely, I will endeavor to stream the course online via the Zoom video conferencing software assigned to the class as indicated in Canvas. Student using the classroom’s internet videoconferencing capability must adhere to the following requirements:

- (a) you must be connected to the internet videoconference five minutes before class starts;
 - (b) your computer must have a working video camera and quality audio capability; joining by audio-only due to your lack of video capability will be treated as an absence (you may need an external mic or headset for sufficient audio quality);
 - (c) if your computer is a laptop, you must not be distracted by traveling or other activities when you join the internet videoconference;
 - (d) you may not join the class internet videoconference from a phone;
 - (e) you must identify yourself with your class roll name in the internet videoconferencing software;
 - (f) you must have your video feed on so that your face and upper body area are visible in gallery mode in Zoom; you must present yourself professionally in the video stream (for example, eating “on-camera” is not a professional presentation);
 - (g) you must be able to fulfill your responsibilities if called on to discuss a case, a Problem Set, or any of the assigned course materials; and
 - (h) you must place your audio on “mute” until called upon or until you have a question to ask.
5. **Attendance.** Consistent with university policy, 80 percent attendance is required. Attendance will be taken via an electronic attendance sheet. I will give you a code at the beginning of class, and you need to log-in to the electronic attendance sheet to register your attendance and input “Today’s Code” at this link: <https://forms.gle/gAZKqv7vdNRoJSGi6>. Those individuals not satisfying the attendance requirement will be reported to UH Law Center administrative officials to be dropped from the course.
6. **Class session coverage, focus & discussion:**
- (a) Schedule of Coverage for Semester. The schedule on the following pages identifies that class discussions will proceed at an orderly pace. The number of class sessions anticipated to be held during the semester is 42 (three class sessions each week except during weeks with holidays). I will reserve the last class session for a Review Session. Each class session will last approximately 80 minutes. We will move quickly through Chapter 1, but thereafter you should anticipate that we will reduce our pace and cover approximately 40 pages of the casebook per class. **Always the most important material to be read will be the relevant provision of the Internal Revenue Code and the assigned cases.**
 - (b) Subject Matter Coverage: In order to be prepared for class discussions, all assigned items should be read in connection with each class session. You should be prepared to discuss the reading assignment where we left off in the prior class and then be prepared to discuss the next succeeding reading assignment set forth in the attachment to this syllabus. We will proceed in the order set forth in the Reading Assignment list, but please note that the dates for covering these materials **will** shift. I will update the **Reading Assignment** sheet throughout the semester and post the update on Blackboard before each class. Thus, please be diligent to know where we are on the Reading

Assignment sheet and what you need to read in order to be prepared for the next class. The relevant provisions of the Internal Revenue Code (to be carefully read) are identified at various locations in the casebook. Although we will examine many court decisions, ultimately this is a Code-based course. **Class sessions will start with the assumption that all students have read the casebook materials and the pertinent Code provisions.**

7. Program Learning Outcomes.

- a) Students will demonstrate knowledge and understanding of the fundamental principles of the substantive law, policy, and procedure necessary through multiple modalities for effective, competent, and responsible participation in the legal profession.
- b) Students will demonstrate proficiency in legal analysis, reasoning, and problem-solving skills through engagement with case law, statutes, regulations, and administrative actions.
- c) Students will demonstrate proficiency in research skills, such as factual investigation, evaluating the relevance, reliabilities, and strength of legal authorities, and awareness of both legal and nonlegal resources and tools.

8. Student Learning Outcomes.

- a) Demonstrate a knowledge and understanding of the rules and polices bearing upon the U.S. federal income taxation through class discussion and by answering substantive essay questions.
- b) Identify legal and economic issues relating to the federal income taxation of transactions in the United States.

9. PowerPoint Slides. Professor Wells will regularly use PowerPoint slide presentations in class. Once the relevant chapter has been completed, I will post these slides to Canvas.

10. Archived Lectures. Assuming no technological issues, I plan to record and archive my class lectures and will post them to Canvas for your later access. As stated in ¶5 above, you are required to attend classes (either online or in-person) per UHLC policy and to be prepared for class. The availability of these recordings is not a substitute for your attendance and participation. However, I have found that making these video recordings available to students provides students the luxury of focusing their attention on the class discussion because the archived lectures allow students to later supplement their note taking. Please note that students may not record all or part of class, livestream all or part of class, or make/distribute screen captures, without advanced written consent of the instructor. If you have or think you may have a disability such that you need to record class-related activities, please contact the Center for Students with Disabilities. If you have an accommodation to record class-related activities, those recordings may not be shared with any other student, whether in this course or not, or with any other person or on any other platform. As previously stated, I expect to record my classes and make those recordings available for viewing to students enrolled in this course only. Students may use instructor's recordings for their own studying and notetaking. Instructor's recordings are

not authorized to be shared with anyone without the prior written approval of the instructor. Failure to comply with requirements regarding recordings will result in a disciplinary referral to the Dean of Students Office and may result in disciplinary action.

11. **Use of personal computers.** The permitted use of personal computers in the classroom is **solely** for the purposes of (i) reviewing preparation notes, and (ii) taking notes during class. Specifically **excluded** from in-class computer usage is anything beyond these activities, e.g., “surfing the web” and messaging. Nonparticipation due to diversionary uses of your personal computer constitutes an absence from the class. In the event this occurs, you are not eligible to sign the attendance sheet and are subject to appropriate action as the professor may determine in his sole discretion.
12. **Grading process for this course:**
 - (a) **Final Examination.** The grade in this course will be entirely dependent upon the final examination (except note Paragraphs (b) and (c) below). That examination will occur pursuant to the prescribed examination schedule. Through the university exam database, there is a link to a prior examination for this course. That prior examination should give you a good understanding of the types of questions that you can expect for the final examination. We will also discuss the final exam in the last class. Course materials will be permitted in the examination room but will be limited to: (i) the student’s casebook, (ii) the Foundation Press code and regulations volume, (iv) this syllabus, (iv) supplemental materials (as provided during the semester), and (v) student prepared outlines. Not permitted in the examination room are commercially prepared materials and outlines (including the Chirelstein book identified above).
 - (b) **Impact of the “Written Exercises.”** I may assign short written exercises during the semester. These exercises are expected to be completed by all students in a satisfactory manner. Because of the short, summary nature of those presentations, they will not be graded. The only impact on the grade in this course from this written exercise part of the course will be a reduction of one notch on the final grade for each paper which is either (1) not timely provided to the professor or (2) grossly inadequate. If the latter event occurs the student will have an opportunity to (a) consult with the professor about the paper and (b) revise the paper to assure that it is to be treated as acceptable.
 - (c) **Impact of Class Participation.** Class participation is expected in this class. Significant class participation may positively impact your grade.
13. **Questions to professor.** Student discussion in the professor’s office is welcomed and encouraged. Office hours are Monday through Wednesday from 10:30 am to noon, or as otherwise arranged. Please contact Professor Wells by telephone at 713-743-2502 or by email at: bwells@central.uh.edu. I am available to answer questions up until the last class day.
14. **Honor Code.** Students may be asked to sign an honor code statement as part of their submission of any graded work including but not limited to projects, quizzes, and exams.

Students acknowledge the following: “I understand and agree to abide by the provisions in the Law Center Honor Code. I understand that academic honesty is taken very seriously and, in the cases of violations, penalties may include suspension or expulsion from the University of Houston.” The UHLC Honor Code applies to all aspects of this course. You are responsible for knowing all Honor Code provisions and for complying with the Honor Code. Please inquire if you have any questions regarding how the Honor Code’s provisions apply to specific activities or situations related to this course. Your continuing enrollment in this course is deemed to be a pledge by you under the Honor Code to comply with the Honor Code in relation to this course and to comply with the instructions in the course syllabus.

The software technology known as artificial intelligence has recently expanded its capability to generate text (AI Generated Text). Examples of the technology include what are known as “generative” large language models (LLMs), and a specific implementation what is well known in the general public is ChatGPT. These systems can generate text in response to prompts and/or input of other text/documents/code/images. The output, the AI Generated Text, appears to have human mimicking “intelligence” and is thus potentially usable as a substitute for written work product one might generate themselves. AI Generated Text can include computer code or programs as well as human language content. Your continuing enrollment in this course is deemed to be a pledge by you under the Honor Code to not prompt, generate, obtain, read, or use any AI Generated Text in relation to any activity or assessment in this course. This applies to AI Generated Text from yourself or others. This pledge includes that your assessment work product in the course is without any contribution from AI Generated Text. This specifically extends to the plagiarism policy and unauthorized aid/materials parts of the Honor Code: AI Generated Text will be treated as from another/other in applying the plagerism policy to this course. The term “assessment” means any work product generated for this course that is submitted to the instructor or presented in a class session, regardless whether it is graded content or not.

15. **Counseling Options.** The University of Houston has a number of resources to support students’ mental health and overall wellness, including CoogsCARE and the UH Go App. UH Counseling and Psychological Services (CAPS) offers 24/7 mental health support for all students, addressing various concerns like stress, college adjustment and sadness. CAPS provides individual and couples counseling, group therapy, workshops and connections to other support services on and off-campus. For assistance visit uh.edu/caps, call 713-743-5454, or visit a Let’s Talk location in-person or virtually. Let’s Talk are daily, informal confidential consultations with CAPS therapists where no appointment or paperwork is needed. The Student Health Center offers a Psychiatry Clinic for enrolled UH students. Call 713-743-5149 during clinic hours, Monday through Friday 8 a.m. - 4:30 p.m. to schedule an appointment. The A.D. Bruce Religion Center offers spiritual support and a variety of programs centered on well-being. If you or someone you know is struggling or

in crisis, help is available. Call CAPS crisis support 24/7 at 713-743-5454, or the National Suicide and Crisis Lifeline: call or text 988, or chat 988lifeline.org.

16. **COVID-19.** If you are experiencing any COVID-19 symptoms that are not clearly related to a pre-existing medical condition, do not come to class. Please see [Student Protocols](#) for what to do if you experience symptoms and [Potential Exposure to Coronavirus](#) for what to do if you have potentially been exposed to COVID-19.
- (a) **COVID-19 Information.** Students are encouraged to visit the University's [COVID-19](#) website for important information including diagnosis and symptom protocols, on-campus testing, and vaccine information. Please check the website throughout the semester for updates.
 - (b) **Vaccinations.** Data suggests that vaccination remains the best intervention for reliable protection against COVID-19. Students are asked to familiarize themselves with pertinent [vaccine information](#) and to consult with their health care provider. The University strongly encourages all students, faculty and staff to be vaccinated.
 - (c) **COVID-19 Syllabus Induced Changes.** Due to the changing nature of the COVID-19 pandemic, please note that the instructor may need to make modifications to the course syllabus and may do so at any time. Notice of such changes will be announced as quickly as possible through (*specify how students will be notified of changes*).
17. **Reasonable Academic Adjustments/Auxiliary Aids.** The University of Houston complies with Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990, pertaining to the provision of reasonable academic adjustments/auxiliary aids for disabled students. In accordance with Section 504 and ADA guidelines, UH strives to provide reasonable academic adjustments/auxiliary aids to students who request and require them. If you believe that you have a disability requiring an academic adjustments/auxiliary aid, please contact [the Justin Dart Jr. Student Accessibility Center](#) (formerly the Justin Dart, Jr. Center for Students with DisABILITIES).
18. **Sexual Misconduct Policy.** The University is committed to maintaining and strengthening an educational, working and living environment where students, faculty, staff, and visitors are free from discrimination and sexual misconduct. If you have experienced an incident of discrimination or sexual misconduct, there is a confidential reporting process available to you. For more information, please refer to the University system's Anti-Discrimination Policy SAM 01.D.07 and Sexual Misconduct Policy SAM 01.D.08, available here:
<http://www.uhsystem.edu/compliance-ethics/uhs-policies/sams/01-general-information/index.php>
<http://www.uhsystem.edu/compliance-ethics/docs/sam/01/1d7.pdf> (antidiscrimination)
<http://www.uhsystem.edu/compliance-ethics/docs/sam/01/1d8.pdf> (sexual misconduct)

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Please be aware that under the sexual misconduct policy, SAM 01.D.08, faculty are required to report to the University any information received regarding sexual misconduct as defined in the policy. Please note that the reporting obligations under the sexual misconduct policy reach to employees and students. Also, as a required reporting party, Law Center employees and faculty members are not a confidential resource. You can find more information about resources on the Title IX website at <https://uh.edu/equal-opportunity/title-ix-sexual-misconduct/resources/>.

INTRODUCTORY INFORMATION

1. Perspectives on this Course

Federal Income Taxation is a foundational course. Almost any transaction that achieves a non-tax objective will simultaneously offer opportunities and pitfalls from a tax perspective. Through the tax code, the federal government has become an uninvited party-of-interest to a wide array of private arrangements. A lawyer must understand the extent and nature of the tax issues raised by the legal claims and business strategies of their clients in order to properly advise clients on how to best structure their affairs. Thus, an important objective for this course is to identify the scope of the federal income taxation system. In actual practice, you will find that the federal income tax laws are far-reaching. Furthermore, the below cartoon illustrates an important tax insight:

how one frames a tax question can often have an important impact on how one views the tax answer. Many of the most interesting tax questions are highly conceptual questions where reasonable minds can and do differ. Fundamental tax concepts must be appropriately identified and analyzed in order to predict how courts will frame and resolve a tax dispute.



"It's funny how two intelligent people can have such opposite interpretations of the tax code!"

As a result, in this course, we will spend our time arguing about the underlying theory—the structure upon which the detail is built. As lawyers, we want to concern ourselves with the undecided and the ambiguous so that we can understand what is shaping the tax law at its core. Congress may change the tax laws, but the fundamental guiding principles that frame the U.S. income tax structure are transcendent. In this course, you will gain an understanding of current tax law, but more importantly you will gain an understanding about the underlying policy conflicts that explain current law.

However, in order for us to really understand the federal income tax principles that are inherent in our federal income tax laws, we are going to need to understand some important economic and financial concepts. The objective in this course is not to make you an economist or to make you an investment banker, but you need to have a basic understanding of some key principles

from those other disciplines in order to understand the policy concepts that shape the federal income tax laws. After studying some basic economic and financial concepts, we will then turn our attention in earnest to the federal income tax laws.

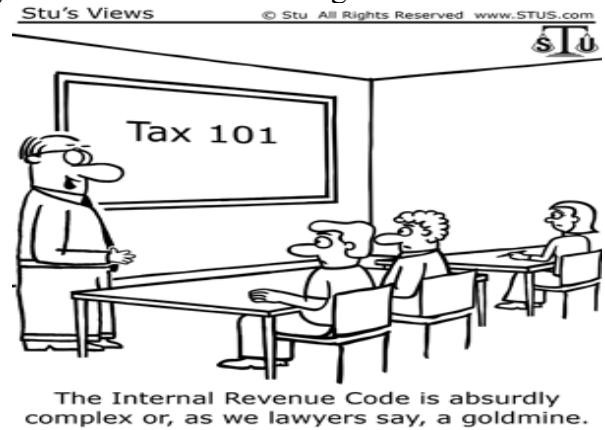
This is a “Code” course. This course involves the careful reading and interpretation of one of the most complicated statutory structures, i.e., the U.S. Internal Revenue Code (Title 26, United States Code). The regular reading of the Internal Revenue Code can significantly enhance one’s ability to interpret complicated statutory material other than the federal tax rules. The contemporary practice of law is largely based upon statutory material along with an examination of judicial case law and regulatory guidance that interprets the controlling statutory provisions. Thus, a steady dose of the Internal Revenue Code can aid you in your legal development.

Some are repelled by the complexity of the U.S. tax laws. However, all lawyers need to have a well-developed “smell test” for business arrangements. This “smell test” extends to tax planning ideas. Today’s lawyer cannot simply exclude tax issues from their vocabulary and claim that these are not relevant to their thinking. In a post-Enron world, all lawyers (not just tax lawyers) need to have a general understanding of federal income tax issues. This course lays the foundation for developing one’s tax instincts.

However, although the federal income tax laws are complex, the reality is that these laws are centered on the following fundamental tax questions:

1. Is a particular item income or does it give rise to a tax deduction?
2. When is the proper time period for recognizing an item of income or expense (including the capitalization of expenses)?
3. What is the character of the item of income (e.g., capital gains and losses)?
4. Who is the “true taxpayer” for reporting the item of income or expense?
5. What is the type of taxpayer that must report the item of income or expense (individual, corporation, partnership, limited liability company, trust, estate, resident or nonresident) and are their special rules for this type of taxpayer?

Once you understand these fundamental questions, you should be able to navigate the complexity of the federal income tax laws. The stakes for many tax issues are large, and so correctly addressing these questions can be very important to both the government and to private parties. A lawyer who can correctly identify the relevant tax issues, who can apply the tax principles to a particular set of facts, and who can then provide proactive tax planning suggestions, will provide enormous value to clients.



2. Federal Income Tax Computation Structure (a tax on net income)

We are going to spend our time discussing the conceptual, but it is helpful in that study to know how the tax concepts discussed in this course (***bolded and italicized in the below computation***) implicate the computation of one's tax liability:

	Gross receipts
<u>Less:</u>	Cost of goods sold
Equals:	<i><u>Gross income</u></i>
<u>Less:</u>	<i><u>Business deductions</u></i>
Equals:	<i><u>Adjusted gross income</u></i>
<u>Less:</u>	<i><u>Itemized deductions or standard deduction & personal exemption</u></i>
Equals:	<i><u>Tentative Taxable income</u></i>
<u>Less:</u>	<i><u>Tax credits</u></i> (including withholding & estimated tax payments)
Equals:	Final tax amount owing (or refund amount)

PLEASE NOTE: **Excluded** from the scope of this Federal Income Tax Course is the need to prepare a tax return. We will spend our time discussing the law and conceptual principles. So, let's begin!

