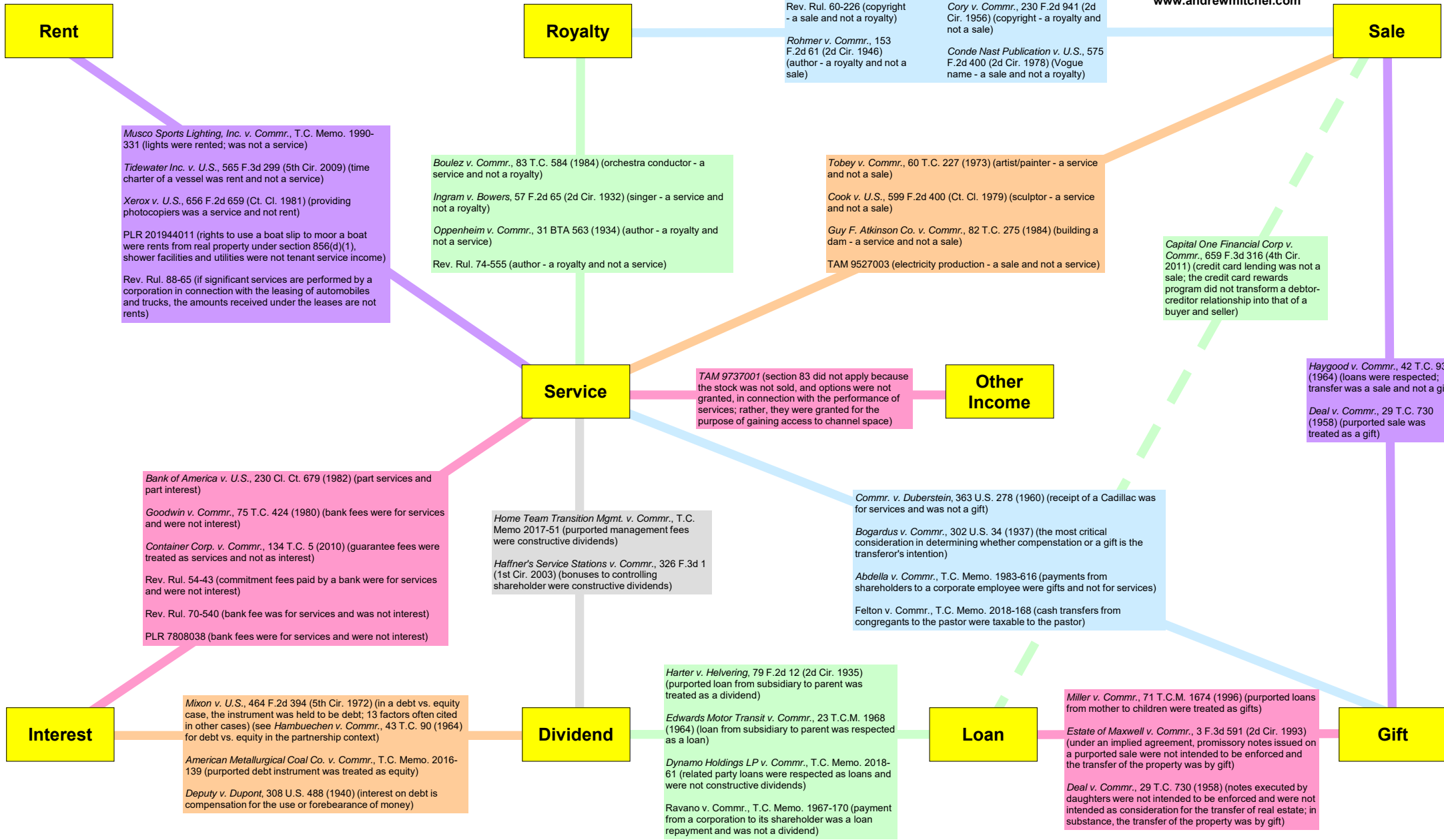


Classification of Transactions

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Lawsuit Settlements

Lyeth v. Hoey, 305 U.S. 188 (1938) (recoveries in compromise or settlement are of the same nature for tax purposes as recoveries that would have been received had the claim been fought out to its ultimate conclusion)

Contributions to Capital

United States v. Chicago, B & Q. R.R., 412 U.S. 401 (1973) (the payor's motive controls whether a payment is a contribution to capital)

Computer Programs

(Reg. 1.861-18)

1. A transfer of a **copyright right**: a sale if all substantial rights are transferred; otherwise treat as a royalty.
2. A transfer of a **copyrighted article**: a sale if all benefits and burdens of ownership are transferred; otherwise treat as rent.

Cloud Transactions

(Prop. Reg. 1.861-19)

(on-demand network access to computer hardware, digital content, or similar resources)

Generally treat as a service, but in some circumstances treat as rent.