

CUSTOMIZED COMPREHENSIVE TEST BANK

Overview of Tax Research Questions:

Short Answers

1. Define and give an example of the meaning of *tax planning*.
2. Define a *fact*.
3. Define and discuss the significance of a *conclusion*.
4. Define and discuss the significance of a *relevant fact*.
5. Define and give an example of a *primary source*.
6. Define and give an example of a *secondary source*.
7. Define and discuss the significance of a *time budget*.
8. What is the purpose of tax research?
9. Describe the four basic steps in the tax research process.
10. Why is it so important to determine the research question and, while being flexible to refining the question, remain focused on it throughout your research process?
11. Why is it important to determine whether you have been asked to act in a planning role when gathering facts and determining the research question?
12. What is the difference between a fact and a conclusion? Why is it important to recognize the difference?
13. Does the research question stay the same throughout the research process? Why or why not?
14. What is the danger of framing the research question too narrowly?
15. Describe the role of the tax researcher. When does tax research need to be performed? What does the taxpayer usually expect you to do as their tax advisor?
16. What methods are available to gather relevant facts? Why is it important to be aware of all the facts? What are some of the challenges presented in gathering facts?
17. What are the two sources of primary authority that provide interpretations of the Internal Revenue Code?
18. How are reference services useful?
19. What is the difference between primary and secondary sources? How can you distinguish between the two?
20. During which steps must you use skills of critical thinking? For each step where critical thinking is essential, discuss why.
21. Discuss the variety of forms you may use in communicating the results of your research.

22. Is it accurate to say that there is only one correct answer to every tax research question? Discuss the reasoning for your response. In what ways does your answer affect how the tax research process is conducted?
23. When might the tax researcher take on the role of tax advocate?
24. How can you determine when you are involved in tax planning? What is your role as a tax planner? How does this differ from tax research in which no planning is requested? Why is it important to recognize the difference?
25. What standards must you abide by when signing a return or recommending a tax return position to a taxpayer? What must you do to satisfy this standard?
26. What practical considerations does the tax researcher need to be aware of when performing tax research?
27. What purpose do client files serve? What information should be included in a client file?

True /False

28. Researching for a planning situation always requires more time and effort than researching a situation where all the facts are already established.
29. The research process is always the same regardless of the research question.
30. Research conclusions may only be based upon primary authority.
31. If there is not primary authority on a research question, the researcher can feel comfortable relying on supporting narrative found in a treatise.
32. Reference services should always be consulted before making a research conclusion.
33. A knowledgeable and well-trained researcher should always be able to locate a specific answer to a tax question.
34. Circular 230 provides a comfortable litmus test to help practitioners determine what type of research conclusions and client recommendations are proper.
35. The researcher should never sign a return when there is not substantial authority supporting a return position.

Multiple Choice

36. The most important step in the research process is:
 - a. Gathering the facts
 - b. Locating relevant authority
 - c. Drawing a conclusion
 - d. All of the above
37. A research project involves tax planning when:
 - a. All the facts are fixed and cannot be changed
 - b. Only some of the facts are fixed
 - c. None of the facts are fixed
 - d. Both b and c
38. Which one of the following is a primary source of authority?
 - a. Treasury Regulation
 - b. United States Tax Reporter
 - c. BNA Tax Portfolio
 - d. An expert's opinion expressed in a prestigious text

INTERNAL REVENUE CODE QUESTIONS

Short Answers

1. Define and discuss *legislative Committee Reports*.
2. Define and discuss the *Joint Committee on Taxation*.
3. Define and discuss the *Blue Book*.
4. What is the *USC*?
5. What is *Title 26*?
6. What is *flush language*?
7. Define and discuss *sunset provisions*.
8. Define and discuss *terms of art*.
9. What is the significance of IRC §7701?
10. Define and discuss *limiting language*.
11. What is a transition provision in the IRC?
12. Explain the role of the following committees in the tax legislative process: House Ways and Means, Senate Finance, Conference Committee.
13. What resources are generated by the legislative process? In what way are resources useful?
14. How can you become informed regarding current Congressional activity in tax legislation?
15. Where can you find Committee Reports of new legislation? How do you find Committee Reports reflective of prior older legislation?
16. Discuss how the Internal Revenue Code is organized. Why is it important to understand its organization?
17. Give examples of three methods of citing the Internal Revenue Code.
18. Name three ways to identify which part of the Internal Revenue Code is relevant in a research project.
19. When can historical notes to a Code Section be helpful?
20. Name all the different sources for reading the Internal Revenue Code. What are the major advantages and challenges for each different type of source?
21. Locate IRC Section 165 and answer the following. IRC Section 165 is part of which:
 - a. Title
 - b. Subtitle
 - c. Chapter
 - d. Subchapter
22. Locate IRC Section 162 and answer the following:
 - a. What Subsections does it include?
 - b. What Paragraphs are included in subsection (m)?
 - c. What Subparagraphs are included in IRC Section 162(m)(4)?
23. Correctly cite the highlighted sentence in the following excerpt of the IRC.

Section 83 - Property Transferred in Connection with the Performance of Services

(a) General rule

If, in connection with the performance of services, property is transferred to any person other than the person for whom such services are performed, the excess of -

(1) the fair market value of such property (determined without regard to any restriction

other than a restriction which by its terms will never lapse) at the first time the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, over

(2) the amount (if any) paid for such property, shall be included in the gross income of the person who performed such services in the first taxable year in which the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever is applicable. The preceding sentence shall not apply if such person sells or otherwise disposes of such property in an arm's length transaction before his rights in such property become transferable or not subject to a substantial risk of forfeiture.

(b) Election to include in gross income in year of transfer

(1) In general

Any person who performs services in connection with which property is transferred to any person may elect to include in his gross income for the taxable year in which such property is transferred, the excess of -

(A) the fair market value of such property at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse), over

True/False

24. Under the provisions of the United States Constitution, all major revenue bills must originate in the United States House of Representatives.
25. The appropriate way to cite the current Internal Revenue Code is "Internal Revenue Code of 1954 as amended."
26. The appropriate way to cite the current Internal Revenue Code is "Internal Revenue Code of 1986 as amended."
27. The Internal Revenue Code is the primary source of authority in tax research.
28. The tax researcher must always ultimately base a research conclusion on the Internal Revenue Code's application.
29. The Internal Revenue Code is Title 25 of the United States Code.
30. The Internal Revenue Code is Title 26 of the United States Code.
31. The *Blue Book* may provide helpful information, but it is not primary authority that can be used in making a research conclusion.
32. The explanation written by the Joint Committee on Taxation is not primary authority on which the researcher can rely.
33. Only the Conference Committee reports are authoritative.
34. The *Blue Book* may provide helpful information, but it is not authority that can be relied upon in making a research conclusion.

Multiple Choice

35. The Internal Revenue Code is written by:
 - a. The President
 - b. The House of Representatives
 - c. Congress
 - d. The Internal Revenue Service
 - e. The Secretary of Treasury

36. When researching legislative history, the first committee report to locate and read is:
 - a. Conference Committee
 - b. Ways and Means Committee
 - c. Senate Finance Committee
37. Committee Reports can be found in the following source:
 - a. Internal Revenue Bulletin
 - b. Cumulative Bulletin
 - c. Tax publisher releases of the reports
 - d. All of the above
38. Which of the following types of information do the historical amendments to the Code never provide?
 - a. Key transition rules
 - b. Text of committee reports
 - c. Text of prior law language
 - d. Number of Public Law amending the section
39. “For purposes of...” represents what type of language?
 - a. Term of art
 - b. Flush language
 - c. Limiting language
 - d. Sunset provision
40. Which one of the following best describes a “sunset provision”?
 - a. A provision that indicates that Congress will update the language periodically
 - b. A provision indicating that the specified numbers will be adjusted for inflation
 - c. A termination provision

TREASURY INTERPRETATIONS QUESTIONS

Short Answer

1. Define and discuss the significance of *Proposed Regulations*.
2. Define and discuss the significance of *Temporary Regulations*.
3. Define and discuss the significance of *Regulation Preambles*.
4. What is *26 CFR*?
5. What is the *Internal Revenue Bulletin*?
6. What is the *Cumulative Bulletin*?
7. Define and discuss the significance of *Revenue Rulings*.
8. Define and discuss the significance of *Revenue Procedures*.
9. What is a *citator*?
10. Define and discuss the significance of *Letter Rulings*.
11. Define and discuss the significance of *Technical Advice Memoranda*.
12. What are *General Counsel Memoranda*?
13. What are *IRS Announcements*?
14. What are *IRS News Releases*?
15. What are *IRS Publications*?
16. Define and discuss the significance of a *nonacquiescence*.
17. Discuss why the researcher must pay close attention to Treasury interpretations, even if there is a court case which is helpful to the taxpayer.

18. When should the researcher turn to the Treasury Regulations for guidance? Can the researcher always count on the Treasury Regulations to help answer the research question? Why or why not?
19. How is it possible to have a Regulation conflict with a Code Section?
20. What steps must the researcher take to ensure the reliability of a Regulation?
21. List four sources where you can access the full text of a Treasury Regulation. Compare the sources. What are their advantages and disadvantages?
22. How are Treasury Regulations and Revenue Rulings different?
23. When does a Revenue Ruling provide the greatest amount of authority to the researcher?
24. What are the central components of a Revenue Ruling?
25. What do the elements of the following Revenue Ruling cite represent?
Rev. Rul. 90-5, 1997-1 C.B. 5
Rev. Rul. 99-100, I.R.B. 1999-37, 15
26. Describe the process you must take to ensure the reliability of a Revenue Ruling.
27. Does the Citator inform you of all documents that are related to the research issue? Why or why not?
28. What is the difference between a Letter Ruling and a Revenue Ruling?
29. Describe how to locate the Revenue Rulings that interpret a specific Code Section when you do not wish to use a reference service.
30. What do the elements in the following Letter Ruling cite represent?
PLR 99-03-050
31. When is it advisable to research Letter Rulings and Technical Advice Memoranda? How do you find which Letter Rulings are relevant to your question?
32. Why is it usually more prudent to electronically search the Letter Ruling database for a Code Section or Regulation Section cite rather than a key word?
33. What is the significance of an acquiescence? Nonacquiescence? When are they issued?
34. What are the differences between the Code and the Regulations?
35. What are the differences between a Revenue Ruling and a Revenue Procedure?
36. How does the Service indicate its opinion about a court decision?
37. How can you determine whether the Service has acquiesced to a court decision?
38. What is the correct cite for Revenue Ruling 98-12 which is found on page 70 of the first Cumulative Bulletin volume for 1998? What is the correct cite for Revenue Procedure 99-5 which is found on page 10 of the fifth Internal Revenue Bulletin issued in 1999?
39. What is the correct cite for Revenue Ruling 99-10 which is found on the 25th page of the second Internal Revenue Bulletin for the year?

True/False

40. It is proper procedure to cite the Internal Revenue Bulletin for a 1976 Revenue Ruling.
41. Final Regulations have the force and effect of law and therefore must always be followed by taxpayers.
42. Final Regulations are often out of date and are not authoritative.
43. Final Regulations have the force and effect of law as long as they are reasonable and consistent with the Internal Revenue Code.
44. Temporary and Final Regulations have the same effect as long as they are reasonable and consistent with the Internal Revenue Code.

45. In the Internal Revenue Code, Congress authorizes the IRS to prescribe all rules and regulations necessary to administer the Code.
46. Letter Rulings and Revenue Rulings have the same level of authority.
47. IRS Publications represent primary authority.
48. The IRS is bound by the instructions even if they do not accurately reflect the IRC.
49. A Revenue Ruling is always as authoritative as a Regulation.
50. Revenue Rulings are binding on the Internal Revenue Service until they are revoked, superceded, modified or declared invalid by a court.
51. A Revenue Ruling which has been “obsoleted” should not be used as authority.
52. Treasury Regulations central thrust is to provide interpretations of the IRC with respect to a specific factual situation.
53. Proposed Regulations are not authoritative.
54. In certain circumstances, Proposed Regulations may be used as authority.
55. A Treasury Decision is another name for a Revenue Ruling.
56. You should always cite a Revenue Ruling before using it as authority.
57. Revenue Procedures cannot be cited.
58. You should always cite a Final Regulation before you rely upon it.
59. Citing a Revenue Ruling will provide information about whether the Code has been amended to affect the impact of the ruling.

Multiple choice

60. Which of the following cannot be cited?
 - a. Temporary Regulation
 - b. Final Regulation
 - c. Internal Revenue Code Provision
 - d. Committee Report
 - e. All of the above
61. Which of the following can be cited?
 - a. Final Regulation
 - b. Revenue Ruling
 - c. Revenue Procedure
 - d. All of the above
 - e. Both b and c
62. Final Regulations are written by:
 - a. The Senate Finance Committee
 - b. The Joint Committee on Taxation
 - c. The Internal Revenue Service
 - d. Congress
63. The Internal Revenue Bulletin is published:
 - a. Weekly
 - b. Monthly
 - c. Semiannually
 - d. Annually
64. The Cumulative Bulletin is published:
 - a. Weekly
 - b. Monthly

- c. Semiannually
 - d. Annually
65. Which of the following is a correct citation?
- a. Rev. Rule. 82-57, 1982-2 CB 400
 - b. Rev. Rul. 82-57, 1982-2 CB 400
 - c. RR 82-57, 1982-2 CB 400
 - d. Rev. Rul. 82-57, CB 1982-2, 400
66. In the Letter Ruling citation LTR 200225050, the last three digits represents:
- a. The number of the ruling for the specific week in the year
 - b. The page number in the reporter volume for the year
 - c. The paragraph number in the reporter volume for the year
 - d. The page number in the Cumulative Bulletin for the year
67. Which of the following cannot be found in the Cumulative Bulletin?
- a. Congressional committee reports
 - b. Revenue Rulings
 - c. Revenue Procedures
 - d. Letter Rulings
 - e. Both a and d

JUDICIAL INTERPRETATION QUESTIONS

Short Answer

1. What is *case law*?
2. What is the *Tax Court*? Discuss why a taxpayer may wish to litigate in this court.
3. What is the *District Court*? Discuss why a taxpayer may wish to litigate in this court.
4. What are *Circuit Courts*? How do cases get to this court?
5. What is a *Writ of Certiorari*?
6. What is the *Golsen rule*?
7. What does *USTC* represent?
8. What does *AFTR* represent?
9. What is the significance of *Rule 155*?
10. Define the term *en banc*.
11. Define the term *respondent*.
12. Define the term *Pro se*.
13. What is the definition and significance of *dicta*?
14. What is *parallel citation*?
15. Discuss the impact of the Supreme Court denying “Cert” versus granting “Cert.”
16. Is it possible to find two cases, both involving nearly identical facts, where the courts issue opposite conclusions? Why? How do you decide which case to use in your research? Assuming you decide which case to utilize, should you ignore the other case?
17. What factors do you use to determine which cases are important to your research?
18. What is the difference between an “official reporter” and an “unofficial reporter”?
19. What are the two Federal tax case services? What benefit do they provide to the tax practitioner? Are all cases related to Federal tax matters always listed in the two Federal tax case services?
20. What steps must the researcher take to ensure the reliability of a court case?

21. Where can the decisions of all Federal tax cases, other than the Tax Court, be found?
22. How do you determine whether a case is under appeal or if a Writ of Certiorari has been filed?
23. If you locate an Appellate Court decision, are there circumstances in which you may need to study the lower court's opinion?
24. Discuss the structure of a court case. Briefly describe the steps you take to most efficiently read a case.
25. What is a "headnote"? How is a headnote useful to a tax researcher?
26. What do "*id*" and "*supra*" mean? When is it appropriate to use each term?
27. What is the difference between dictum and a court's holding?
28. What is the difference between overruling a case and reversing a decision?
29. What is "precedential authority"?
30. Discuss what information a Citorator provides. Compare and contrast two of the Citorator resources available. Why is citing a case critical?
31. What are the types of decisions the Tax Court renders? How do they differ?
32. What do the elements of the following cite represent? *Purple Plum*, 105 TC 100 (2001)
33. What do the elements of the following cite represent? *Purple Plum*, 98 TCM 900 (2001)
34. What do the elements of the following cite represent? *Purple Plum*, RIA T.C. Memo Dec. ¶99,976
35. What do the elements of the following cite represent? *Purple Plum*, 99-2 USTC ¶8953 (CA 5, 1999)
36. What do the elements of the following cite represent? *Purple Plum*, 30 AFTR2d 95-3567 (CA 1, 1995)

True/False

37. Court cases are more important than Regulations.
38. Court cases are more important than Treasury Interpretations.
39. A Supreme Court case directly on point is controlling.
40. When a *writ of cert* for a case has been granted, the case's authority is questionable.
41. Filing a *writ of cert* means that the Supreme Court will hear the case.
42. When the Supreme Court disagrees with a decision it earlier rendered, it can reverse the earlier decision.
43. When the Supreme Court disagrees with a decision it earlier rendered, it can overrule the earlier decision.
44. The District Court in the 7th Circuit must follow decisions rendered by the 7th Circuit Court of Appeals.
45. The Tax Court is never bound by Circuit Court decisions.
46. The Tax Court is always bound by prior decisions rendered by the Circuit Court with jurisdiction over the taxpayer petitioning in the Tax Court.
47. The Tax Court is always the best court for a taxpayer wishing to have a favorable decision.
48. The taxpayer may have a jury trial in the Tax Court.
49. The taxpayer may have a jury trial in the District Court.
50. It is not necessary to cite a Supreme Court case.
51. It is always necessary to cite any case upon which the researcher intends to rely.

52. Citating a case will provide the researcher with a list of all the cases addressing the issue of the cited case.
53. Citating a case in the CCH citator only provides a list of cases that have cited the case at issue.
54. RIA's citator provides more information about the citing cases than the CCH citator.
55. Citating a case will alert the researcher to any relevant changes in the IRC that may affect the authority of a case.
56. All tax cases can be found in the USTC service.
57. All tax cases can be found in the AFTR service.
58. Tax Court cases are located in the USTC service.
59. It is appropriate for a researcher to feel comfortable relying on dicta to support a conclusion.
60. Once a case has been appealed, it is never appropriate to cite or rely upon the appealed decision.
61. When you see the term *Supra*, it informs you that the reference is to the most immediately preceding cite.

Multiple Choice

62. Which of the following cases can be found in the USTC service?
 - a. Circuit Court of Appeals
 - b. Tax Court
 - c. District Court
 - d. All of the above
 - e. Only a and c
63. Which of the following cannot be found in the AFTR service?
 - a. Supreme Court cases
 - b. Appellate Court cases
 - c. Claims Court cases
 - d. Tax Court cases
64. Select the cite below that represents a proper citation.
 - a. *Peach v. Commissioner*, 76 TC
 - b. *Peach v. Commissioner*, 76 TC 45 (1998)
 - c. *Peach*, 76 TC 45
 - d. *Peach v. Commissioner*, 76 TC 45 (1998)

SECONDARY SOURCE QUESTIONS

Short Answer

1. What is a *secondary source*? Name two examples.
2. What is a *reference service*? Name two examples.
3. What is an *annotation* in a reference service?
4. What does *CCH* stand for?
5. What does *RIA* stand for?
6. What are *BNA Portfolios*? What information do they have to offer the researcher? How are they different than other secondary sources?
7. Describe *folio searching*.
8. Describe *boolean searching*.

9. What is *hypertext* and how is it useful to the researcher?
10. What are *treatises*? Name two publishers of tax treatises.
11. What is the *Master Tax Guide*? What information does it provide? Name the two publishers of this source.
12. What types of information do reference services provide?
13. Why is it unwise to base your research conclusion solely on what you read in a reference service?
14. What types of primary sources do the reference services refer to?
15. Should you feel comfortable that the reference service will refer you to every relevant Treasury interpretation? Why or why not?
16. What are the factors to consider in selecting the type of reference service that's best for your research project?
17. What material is covered for each Code Section in the Code-oriented services?
18. List the steps you must take when using a Code-oriented service.
19. How is CCH's Code-oriented service different from RIA's?
20. Why is it important to skim through the entire table of annotations before reading the annotations themselves?
21. What types of topically structured reference services are available to you?
22. Describe how to find the relevant volume of RIA's Federal Tax Coordinator.
23. How do you find the relevant BNA portfolios?
24. What are the inherent risks in electronic searching?
25. What are the two types of electronic search technologies? Describe the major differences between these two types. Provide examples of services using each type.
26. What is segment searching and when might it be useful?
27. Which reference services only enable you to use electronic searching as your main research methodology?
28. Compare the databases of the Internet services of Lexis-Nexis, RIA (Checkpoint), CCH.
29. What are some of the tools available only through electronic research? Which services offer these tools?
30. In addition to reference services, what other secondary services are available?
31. Describe how to identify possible tax articles relevant to your research.

True/False

32. Some secondary sources are just as authoritative as primary sources.
33. A reference service can speed up your research time by providing you with the answer so that you do not need to refer to the actual texts of primary source authority.
34. A reference service is intended to direct you to relevant primary authority.
35. Even if an explanation in a reference service appears to provide a conclusive answer to the research question, it is usually important to examine the primary authority supporting the explanation.
36. It is unwise to base your research conclusion solely on what you read in a reference service.
37. Code-oriented services are more reliable than those topically structured.
38. The reference services contain the full-text of committee reports.
39. Reference services attempt to refer the researcher to all relevant Revenue Rulings, Revenue Procedures, Letter Rulings and case law.

40. Reference services attempt to refer the researcher to all relevant Revenue Rulings, Revenue Procedures and case law.
41. The code-oriented reference services published by CCH and RIA are similar in every substantive way.
42. BNA portfolios are comprehensive reference service tools, intended to provide the researcher with a reference to every relevant case and Revenue Ruling.
43. CCH's Web-based *Tax Research NetWork* uses the boolean search methodology.

Multiple Choice

44. Which one of the following is a secondary source?
 - a. Law journal article written by a judge
 - b. Letter Ruling
 - c. The *Blue Book*
 - d. Treasury Regulation
45. Which one of the following is a secondary source?
 - a. Claims Court decision
 - b. Tax Court decision
 - c. United States Tax Reporter annotation
 - d. Senate Finance Committee Report
46. The unique feature of Boolean search engines is:
 - a. Its use of connectors such as *and* and *or*
 - b. The ability to segment search
 - c. Its automatic searching for synonyms
 - d. Its ability to search for plurals
47. Which is not a feature of RIA's Federal Tax Coordinator?
 - a. Narrative discussions of the tax law
 - b. Footnotes to relevant case authority
 - c. Discussion of current developments
 - d. Annotations summarizing relevant authority
48. The primary difference between a Code-oriented reference service and a topically-structured service is:
 - a. The method of discussing an authority
 - b. The number of authorities referenced
 - c. The Code sections covered
 - d. The method of discussing current developments
49. A treatise is:
 - a. A journal article
 - b. An outdated reference service
 - c. A brief summary of a particular topic of the law
 - d. A detailed text on a particular topic of the law
50. A unique feature of the BNA Portfolios is:
 - a. The detailed coverage of each topic
 - b. The working papers
 - c. References to primary authority
 - d. The scope of topic coverage

51. The *Federal Tax Advisor* is:
 - a. Published by RIA
 - b. Published by CCH
 - c. Available only electronically
 - d. Both a and c
 - e. Both b and c
52. What is not true about The *Master Tax Guide* (published either by CCH or RIA)
 - a. It is published every year.
 - b. It is very easy to use.
 - c. It can be used as the basis for a conclusion.
 - d. It is extremely thorough on most topics.
 - e. Both c and d
53. The Code-oriented reporters do not attempt to provide complete references to which of the following?
 - a. Relevant case law
 - b. Relevant Letter Rulings
 - c. Relevant Revenue Rulings
 - d. Relevant Revenue Procedures

COMPLETION OF RESEARCH QUESTIONS

Short Answer

1. What is Treasury Circular 230? Who wrote it? What is its significance?
2. What does the term “practice before the IRS” mean? Why is it important?
3. What are the tax research standards a tax practitioner must be aware of? Who promulgated these standards?
4. What is the “reasonable inquiry standard”?
5. What is the source of the “due diligence standard”? What does it require of the tax practitioner?
6. What is the impact of failing to abide by the standards provided in Circular 230?
7. What is the impact of failing to abide by the standards provided by the AICPA?
8. What guidelines regarding appropriate research standards do the Treasury Regulations offer?
9. Compare the research guidelines provided by Circular 230, the AICPA and Treasury Regulations. How do they differ?
10. Who does Circular 230 bind?
11. Who does the AICPA’s Statements on Responsibilities in Tax Practice bind?
12. Why is it important for you to know when your research is complete?
13. Describe the step of “pondering” your research results. What must you consider?
14. Assume you complete all the research steps, but you still don’t feel comfortable with your conclusion. What do you do?
15. In reviewing your research results, you find you have a Revenue Ruling that clearly states your taxpayer cannot do what he wants to do. However, you also found a case (although with no jurisdiction over your taxpayer) that says he can. What do you do? What practical considerations are important?
16. Under what circumstances are you required as tax researcher to refrain from recommending a certain tax position to a taxpayer.

17. What is the importance of primary authority?
18. Assume that Mr. X tells you about a court settlement which resulted in her receiving \$50,000 in breach of contract damages. You communicate to Mr. X that as a result of your research, it is clear that the \$50,000 will have to be included in his taxable income. Mr. X later provides to you all of the material necessary for you to prepare his return but does not mention the \$50,000. When questioned, he tells you that he doesn't want to pay taxes on this amount and asks you just to pretend that the two of you never had the conversation and that you don't know anything about the \$50,000. What are your responsibilities in completing Mr. X's tax return?
19. Your client is a resident of California. He has asked you to research whether he must recognize some of his receipts as income. How will you advise your client if your research resulted in locating the following authority:
 - * Revenue Ruling that speaks directly to the issue and requires income recognition?
 - * A Tax Court case concerning a California taxpayer that directly addresses the issue and concludes the income may be excluded from taxable income?
 - * A 3rd Circuit Court of Appeals case that, although the facts are slightly different, concludes the income must be included?
20. The only authority you find after an exhaustive research process is a ten-year-old Letter Ruling. Although the ruling provides few details regarding the transaction the Treasury was reviewing, what is available appears relevant and suggests a position favorable to your client's preferred approach. What do you advise your client?
21. Your library only contains one of the reference services. It does not contain any case books, or the Cumulative Bulletins. You do not have access to an electronic library. However, there is a full law library in the city. Your client has requested that you advise her on the impact of a corporate liquidation resulting in a property distribution to the client of \$25,000. From your review of the reference service, you believe that she is entitled to exclude the value of the item from income. The reference service provides summaries of several court cases taking this position. What do you do at this point? Why?
22. You are researching the deductibility of a certain expense. You take the following steps: Gather facts | Determine issue | Study the regulations | Examine annotated reference service | study the 2 cases which initially appeared to be on point | conclude the cases are irrelevant. You have performed no other research steps nor reviewed authority other than that indicated. What additional steps are advisable at this point? Why?
23. You are researching the deductibility of a certain expense. You take the following steps: Gather facts | Determine issue | Examine IRC | Examine BNA portfolio that seems to adequately answer the research question. You have performed no other research steps nor reviewed authority other than that indicated. What additional steps may be advisable at this point? Why?
24. You are researching the deductibility of a certain expense. You take the following steps: Gather facts | Determine issue | Examine annotated reference service | locate a Revenue Ruling that appears directly on point and allows the deduction. You located the Revenue Ruling as soon as you began using the reference service. You did not continue reviewing the reference service once you spotted the Revenue Ruling cite. You have performed no other research steps nor reviewed authority other than that

- indicated. What additional steps are advisable at this point? Why?
25. You are researching the deductibility of a certain expense. You take the following steps: Gather facts | Determine issue | Study the IRC | Review the related Treasury Regulations | Confirm that the helpful Regulation still reflects current statutory law | Examine Volume 4 of the annotated reference service | Thoroughly review that volume and identify two cases which appear directly on point and which allow the deduction | Examine the cases and conclude they are applicable. Are there additional steps remaining in the research process before you advise your client? If so, what are they? Why?
26. You are researching the deductibility of a certain expense. You take the following steps: Gather facts | Determine issue | Study the IRC | Review the related Treasury Regulations and determine that there is no Regulation for the relevant Code provision | Examine the pertinent volumes of a topical reference service and find no helpful guidance. How do you proceed? Are there additional steps remaining in the research process before you advise your client? If so, what are they? Why?
27. You are researching the deductibility of a certain expense. You take the following steps: Gather facts | Determine issue | Examine a case recommended to you by your supervisor and determine the case is right on point and favors the taxpayer's preferred position. What additional research steps are necessary before you advise your client?

True/False

28. Circular 230 provides a comfortable litmus test to help practitioners determine what type of research conclusions and client recommendations are proper.
29. A case that is still good authority is more significant than a current Revenue Ruling.
30. The researcher can feel quite comfortable recommending to a client a position that is supported by a current (and not superceded) Revenue Ruling.
31. The researcher should never sign a return when there is not substantial authority supporting a return position.

Multiple Choice

32. Circular 230 was written by:
- The Treasury Department
 - The Joint Committee on Taxation
 - The Congress
 - The AICPA
 - The ABA
33. The sources of tax practice guidelines include:
- The ABA
 - The AICPA
 - The Treasury
 - The Code
 - All of the above
34. The AICPA's standards bind:
- All those who practice before the IRS
 - All Certified Public Accountants
 - Only those CPAs who are members of the AICPA

- d. Members of the ABA and AICPA
- 35. The most important element contributing to excellent research is:
 - a. Critical thinking and analysis
 - b. Completeness of the tax library
 - c. Time spent on the research
 - d. Staying within the allotted budget
- 36. In order to be able to rely upon a case decision, it is essential that:
 - a. The facts are essentially identical to the clients
 - b. The case was decided by a court with jurisdiction of the client
 - c. You cite the case to ensure it has not been overruled or reversed
 - d. The case was decided by the Supreme Court

COMMUNICATING RESEARCH RESULTS QUESTIONS

Short Answer

1. What is the purpose of an office memo? List the main elements.
2. What are the main elements of a client opinion letter?
3. What is the purpose of a protest letter? How does the purpose impact the style you use in writing one?
4. What type of writing is involved in a Letter Ruling request?
5. What does *FIRAC* stand for?
6. What are the various types of internal and external written communications? What factors determine which type of communication is most appropriate? Why?
7. Why are client letters the riskiest form of communication for the tax practitioner?
8. What factors must you consider when making an oral presentation?
9. What is a *white paper*?
10. What is the difference between a long-form opinion letter and a short-form opinion letter?
11. When would you advise a taxpayer to seek a Letter Ruling?
12. Describe two conditions or qualifications in an opinion letter.
13. You are reviewing a subordinate's draft client opinion letter. The first sentence states the following:
 "We have reviewed the tax implications of the transaction you described to us in our meeting held last week. We find that you will be able to proceed as planned." The letter then begins to address the research findings. In what ways would you correct this?
14. You are reviewing a subordinate's draft client opinion letter. Comment on the appropriateness of the following first sentence:
 "Our opinion is accurate beyond a reasonable doubt. You may be assured that the positions stated herein are correct."

Multiple Choice

15. The most important element of an office memo is:
 - a. The statement of the facts
 - b. The discussion of the relevant Code Section
 - c. The researcher's findings and conclusions
 - d. All of the above
16. Which of the following is not an example of an external written communication?

- a. Protest letter
 - b. Office memo
 - c. Letter Ruling request
 - d. Client opinion letter
17. The first sentence in a client opinion letter should be:
- a. A statement of the scope of the research performed
 - b. A statement of the facts
 - c. The researcher's conclusion
18. When writing a client opinion letter, which is true about the statement of facts?
- a. It is proper for the researcher to refer to the facts as described over the telephone on as specified date.
 - b. It is proper for the researcher to refer to the facts as discussed in a personal meeting with the client on a specified date.
 - c. It is proper for the researcher to restate each of the facts as understood by the researcher.
 - d. It is proper for the researcher to write the letter without restating the facts.
19. Which of the following elements is true about an opinion letter?
- a. The researcher must be very cautious to ensure a thorough and correct discussion because legal vulnerabilities are higher than in other forms of writing
 - b. The research can be relatively cavalier when writing an opinion letter because the letter is only directed at a client rather than a formal court officer
 - c. The opinion letter should not contain citations to authority relied upon
 - d. The opinion letter should contain citations to authority relied upon.
 - e. Both a and d
20. In which of the following is it appropriate for the tax researcher to take a position s/he does not personally agree is correct?
- a. Protest letter
 - b. Client opinion letter
 - c. Office memo
 - d. Both a and b

OVERVIEW OF TAX PRACTICE AND PROCEDURE

Short Answer

1. Define and discuss the significance of the Internal Revenue Service Restructuring and Reform Act of 1998.
2. What is the role of the Secretary of the Treasury?
3. What is the role of the Internal Revenue Service Commissioner?
4. What is the role of the IRS Oversight Board? Who does it consist of?
5. Describe the role of the Chief Counsel of the IRS.
6. Describe the role of the Treasury Inspector General for Tax Administration.
7. Describe the role of the National Taxpayer Advocate.
8. Define and discuss the significance of the statute of limitations.
9. What does *mitigation of statute of limitations* refer to?
10. What types of audits might the IRS perform?
11. Define and discuss the significance of a *Revenue Agent's report*.
12. Define and discuss the significance of an *IRS summons*.

13. Define and discuss the significance of *Form 870*.
14. Define and discuss the significance of a *closing agreement*.
15. Define and discuss the significance of a *Statutory Notice of Deficiency*.
16. Define and discuss the significance of an IRS *assessment*.
17. Define and discuss the significance of a *levy*.
18. Define and discuss the significance of being an *income tax return preparer*.
19. Define and discuss the significance of *privileged communications*.
20. Is the tax system of the United States a self-assessment system? What does this mean? How is this different from other countries' systems?
21. What must a completed tax return contain in order to be considered as having been filed?
22. What incentives does the Code provide to the taxpayer to comply with the tax laws?
23. When must a calendar year individual taxpayer file the individual income tax return?
24. If a corporation's fiscal year closes on July 30, when must it file its income tax return?
25. If the filing date occurs on a holiday, when must the return be filed?
26. An individual taxpayer anticipates that her unpaid tax liability will be approximately \$10,000. She does not have all the information necessary to file the tax return by the due date. What are her options?
27. What is the last date an individual calendar year taxpayer's tax return can be filed if all extension requests are filed and granted?
28. When may the IRS reveal tax return information to someone other than the person filing the return or his authorized representative?
29. In general, what is the statute of limitations for an income tax return timely filed on April 15, XXX2? What if the return is not due until April 15, but the taxpayer files the return on February 1, XXX2?
30. When might the statute of limitations be longer than three years?
31. What is a "30-day letter"?
32. What options are available to the taxpayer upon receiving a "30-day letter"?
33. What are the potential methods the IRS can use to investigate whether the taxpayer has complied with the tax laws?
34. When is the IRS entitled to institute a grand jury investigation regarding tax compliance?
35. What is a "90-day letter"?
36. What options are available to the taxpayer upon receiving a "90-day letter"?
37. When may a taxpayer petition the U.S. Tax Court? How is this done?
38. Who may represent a taxpayer in a U.S. Tax Court proceeding?
39. When may a taxpayer request to have the Tax Court decide a case under the "small tax" case procedures? Why might the taxpayer choose to make this request?
40. What is a "jeopardy assessment"? When may this be appropriate?
41. What does a "jeopardy assessment" entitle the IRS to do?
42. If a taxpayer disagrees with the position of the IRS and is assessed a tax deficiency, what options are available to the taxpayer?
43. In order to be considered filed, what must a claim for refund include?
44. When is the last day a claim for refund can be filed if the tax return was filed on April 15, year XX02 and the tax (plus penalties) was paid on December 1, year XX06?
45. When is the last day a claim for refund can be filed when the return was filed and full payment was made on February 15, year XX02? The return was not due until April 15 of that year.

46. What are the taxpayer's options when a refund claim is denied by the IRS?
47. If the taxpayer wishes to file suit in court, what factors might the taxpayer consider in selecting which court to petition?
48. What does it mean to state that a particular party has the "burden of proof"?
49. What are some examples of the level of burden of proof a party may carry?
50. In tax cases, who carries the burden of proof, the IRS or the taxpayer?
51. Under what circumstances may attorneys fees be awarded to a taxpayer?
52. What are the various methods the IRS may use in attempting to collect taxes assessed?
53. According to the Treasury Regulations, what constitutes "return preparation" for purposes of the penalty provisions?
54. List three obligations of a tax return preparer?
55. What are the penalties if the tax return preparer fails to sign a tax return he prepared?
56. What are the potential penalties for a tax return preparer who signs a return he knew reported a position with no "realistic possibility of being sustained" and fails to disclose this fact on the return?
57. What are the potential penalties for a tax return preparer who intentionally ignores information reported to him by the taxpayer in an attempt to understate the tax liability shown on the return?
58. What are some of the criminal charges a tax return preparer may be subject to? What are the potential consequences if found guilty?
59. Discuss some of the penalties that can be imposed on the taxpayer for understating his tax liability.
60. What types of communication may be protected by the attorney-client or accountant-client privilege?
61. What is the philosophical basis for the attorney-client/accountant-client privilege?
62. Is there an accountant-client privilege?
63. When may a tax-related communication fall outside the protection of the accountant-client privilege?

True/False

64. The Commissioner of the IRS is the person charged with the responsibility of implementing and enforcing the IRC.
65. The Commissioner of the IRS is appointed by the President of the United States for a renewable 5-year term.
66. A return filed on the wrong form but reporting the information in an accurate and complete manner is considered a return filed.
67. In most cases, joint returns only need to be signed by one of the parties.
68. In most circumstances, an individual return must include a Social Security number.
69. Individuals are entitled to a 4-month extension to file the tax return. This extension is automatically granted without a request for extension required.
70. Individuals are entitled to an automatic 4-month extension request upon request. An additional discretionary 2-month extension may be awarded upon request.
71. The tax return is considered filed on the date the return is received by the Service, unless received after the due date of the return.
72. As long as the return is timely filed, the exact date of filing is irrelevant.

73. Even if the filing date of a tax return is extended, any tax liability owing is due on the due date of the tax return.
74. Generally, tax returns are confidential documents between the taxpayer and the IRS.
75. The statute of limitations can never be more than 3 years.
76. Filing a fraudulent return triggers an unlimited statute of limitations.
77. Upon receipt of the "90 day letter," the taxpayer has 90 days to respond to the Service with a protest letter.
78. Upon receipt of the "90 day letter," the taxpayer has 90 days to file a petition in Tax Court.
79. Taxpayer may file a claim for refund in the Federal District Court immediately after paying the amount of taxes assessed.
80. There is no specific time frame within which a taxpayer must file a claim for refund with the IRS.
81. If a refund claim is filed within three years of the return filing date, the refund amount cannot exceed the total tax paid within the three years prior to the date of the claim.
82. The IRC provides that the government must pay interest on a taxpayer overpayment.

Multiple Choice

83. A return is considered filed:
 - a. When received by the Service if received prior to the due date of the return
 - b. Only when postmarked
 - c. On the date received by the Service unless received after the due date. If received after the due date, then on the date postmarked
84. Which of the following is required for a return to be considered filed?
 - a. Taxpayer signature under penalty of perjury
 - b. The correct form
 - c. Computation of tax liability
 - d. All of the above
85. The provisions governing the time in which permissible audits and assessments must occur are called:
 - a. Extension provisions
 - b. Closing agreements
 - c. Statutes of limitations
 - d. Filing requirements
86. The general statute of limitation for a non-fraudulent filed tax return is:
 - a. Three years from the actual date of filing
 - b. Three years from the due date for filing, even if filed after the due date
 - c. Three years from the due date for filing, or if filed late, then the date of the filing
 - d. None of the above
87. The statute increases to six years when:
 - a. The taxpayer filed a fraudulent return
 - b. The taxpayer failed to file a return
 - c. The taxpayer omitted income exceeding 25% of the taxable income
 - d. The taxpayer omitted income exceeding 25% of the gross income
88. A statutory notice of deficiency is mailed to the taxpayer with which of the following?
 - a. The "30 day letter"

- b. The “90 day letter”
 - c. The Revenue Agent’s Report
 - d. None of the above
89. Upon receipt of a “90 day letter,” the taxpayer has 90 days in which to:
- a. File a petition in Tax Court
 - b. File a petition in Federal District Court
 - c. Protest to the IRS about the revenue agent’s findings
 - d. Both a and c
90. A summons can be issued to allow the Secretary of Treasury to do which of the following?
- a. Examine any potentially relevant material
 - b. Require the taxpayer to appear and produce records
 - c. Enter without permission the taxpayer’s property
 - d. All of the above
 - e. Both a and b
91. Which of the following statements is true?
- a. Taxpayer may have a jury trial in the Tax Court.
 - b. Taxpayer may have a jury trial in Claims Court.
 - c. Taxpayer may have a jury trial in the Circuit Court of Appeals.
 - d. Taxpayer may have a jury trial in the Federal District Court.
 - e. Taxpayer may have a jury trial in both the Tax Court and the Federal District Court.
92. Which court is the only court where the taxpayer can file before paying any taxes assessed?
- a. Federal District Court
 - b. Claims Court
 - c. Tax Court
 - d. All of the above

STATE RESEARCH QUESTIONS

Short Answer

- a. Discuss why it is important to be aware of state tax issues.
- b. Describe how nontax state laws may affect Federal tax research.
- c. Describe the types of tax issues that can arise concerning state taxes.
- d. What is the name of your state’s general statutory income tax laws?
- e. What agency administers your state’s income tax laws?
- f. Identify your state courts, from the lowest court to the highest.
- g. Is there a body in your state between the taxing agency and the courts that can hear and decide tax cases? If so, what is it called?
- h. Identify the secondary sources available to you regarding your state’s taxes.
- i. List three types of taxes that your state imposes.
- j. Name two states that do not have a personal income tax.

Test Problem Answers

Overview of Tax Research Questions

Short Answer- contained in the pertinent provisions in text answer guide

True/False

1. F
2. F
3. T
4. F
5. F
6. F
7. F
8. F

Multiple Choice

9. D
10. D
11. A

INTERNAL REVENUE CODE QUESTIONS

Short Answer

21.
 - a. 26
 - b. A
 - c. 1
 - d. B
22.
 - a. a-p
 - b. 1-4
 - c. A-F
23. IRC Section 83(b)(1)

True/False

24. T
25. F
26. T
27. T
28. T
29. F
30. T
31. F
32. F
33. F
34. F

Multiple Choice

- 35. C
- 36. A
- 37. D
- 38. B
- 39. C
- 40. C

TREASURY INTERPRETATIONS QUESTIONS

Short Answer- contained in the pertinent provisions in text answer guide

- 38. Rev. Rul. 98-12, 1998-1 CB 70
Rev. Proc. 99-5, IRB 1999-5,10
- 39. Rev. Rul. 99-1, IRB 1999-2 , 25 or Rev. Rul. 99-1, 1999-2 IRB 25

True/False

- 40. F
- 41. F
- 42. T
- 43. T
- 44. T
- 45. F
- 46. F
- 47. F
- 48. T
- 49. F
- 50. T
- 51. T
- 52. F
- 53. F
- 54. T
- 55. F
- 56. T
- 57. F
- 58. F
- 59. F

Multiple Choice

- 60. D
- 61. E
- 62. C
- 63. A
- 64. C

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65. B

66. A

67. D

JUDICIAL INTERPRETATION QUESTIONS

Short Answer- contained in the pertinent provisions in text answer guide

37. Case name, volume, Tax Court Reports, 1st page of case, date

38. Case name, volume, Tax Court Memo (CCH), 1st page of case, date

39. Case name, Tax Court Memo reporter from RIA, Decision number (paragraph)

40. Case name, year of decision -volume for that year, United States Tax Cases (CCH), paragraph number of case, 5th Circuit Court of Appeals, date

41. Case name, volume, American Federal Tax Reports Second series, year-1st pg of case, 1st Circuit Court of Appeals, date

True/false

42. F

43. F

44. T

45. T

46. F

47. F

48. T

49. T

50. F

51. T

52. F

53. F

54. T

55. F

56. T

57. F

58. T

59. T

60. F

61. F

62. F

63. F

64. F

65. T

66. F

Multiple Choice

67. E

Test Bank Answers

- 68. D
- 69. D

SECONDARY SOURCE QUESTIONS

Short answer- contained in the pertinent provisions in text answer guide

True/False

- 32. F
- 33. F
- 34. T
- 35. T
- 36. T
- 37. F
- 38. F
- 39. F
- 40. T
- 41. T
- 42. F
- 43. T

Multiple Choice

- 44. A
- 45. C
- 46. A
- 47. D
- 48. A
- 49. D
- 50. B
- 51. E
- 52. E
- 53. B

COMPLETION OF RESEARCH QUESTIONS

Short Answer – contained in the pertinent provisions in text answer guide

True/False

- 28. F
- 29. F
- 30. T
- 31. F

Multiple Choice

240 Test Problem Answers

- 32. A
- 33. E
- 34. C
- 35. A
- 36. C

COMMUNICATING RESEARCH RESULTS QUESTIONS

Short Answer- contained in the pertinent provisions in text answer guide

Multiple Choice

- 15. D
- 16. B
- 17. A
- 18. C
- 19. E
- 20. A

OVERVIEW OF TAX PRACTICE AND PROCEDURE

Short Answer- contained in the pertinent provisions in text answer guide

True/False

- 64. F
- 65. T
- 66. F
- 67. F
- 68. T
- 69. F
- 70. T
- 71. T
- 72. T
- 73. T
- 74. T
- 75. F
- 76. T
- 77. F
- 78. T
- 79. F
- 80. F
- 81. T
- 82. F

Multiple Choice

- 83. C
- 84. D

Test Bank Answers

- 85. C
- 86. C
- 87. D
- 88. A
- 89. A
- 90. D
- 91. D
- 92. C

STATE RESEARCH QUESTIONS- contained in the pertinent provisions in text answer guide