

COMPREHENSIVE VOLUME CHAPTER 2--WORKING WITH THE TAX LAW

Student: _____

1. A professional must understand the relative weight of authority within the sources of tax law.

True False

2. The Internal Revenue Code of 1986 was substantially a re-codification of the existing Code.

True False

3. Federal tax legislation generally originates in the House Ways and Means Committee.

True False

4. House members have considerable latitude to make amendments on the House floor.

True False

5. Before a tax bill can become law, it must be approved by the President.

True False

6. Subchapter P refers to the “Partners and Partnerships” section of the Internal Revenue Code.

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7. Regulations are arranged in the same sequence as the Internal Revenue Code.

True False

8. A Temporary Regulation under § 173 of the Code would be cited as follows: Temp. Reg. § 173.

True False

9. Temporary Regulations are first published in the *Internal Revenue Bulletin*.

True False

10. Revenue Rulings issued by the National Office of the IRS carry the same legal force and effect as Regulations.

True False

11. A Revenue Ruling is a judicial source of Federal tax law.

True False

12. The following citation can be a correct citation: Rev. Rul. 95-271, I.R.B. No. 54, 18.

True False

13. Revenue Rulings deal with the internal management practices and procedures of the IRS.

True False

14. Post-1984 letter rulings may be substantial authority for purposes of the accuracy-related penalty in § 6662.

True False

15. A letter ruling applies only to the taxpayer who asks for and obtains a letter ruling.

True False

16. The IRS is *not* required to make a letter ruling public.

True False

17. Determination letters usually involve completed transactions.

True False

18. Technical Advice Memoranda deal with proposed transactions.

True False

19. Technical Advice Memoranda may *not* be cited as precedents by taxpayers.

True False

20. A taxpayer must pay any tax deficiency assessed by the IRS and sue for a refund to bring suit in the U.S. Court of Federal Claims. Only in the Tax Court can jurisdiction be obtained without first paying the assessed tax deficiency.

True False

21. In a U.S. District Court, a jury can decide both questions of fact and questions of law.

True False

22. Three judges will normally hear each U.S. Tax Court case.

True False

23. A taxpayer can obtain a jury trial in the U.S. Tax Court.

True False

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25. Arizona is in the jurisdiction of the Second Circuit Court of Appeals.

True False

26. Texas is in the jurisdiction of the Sixth Circuit Court of Appeals.

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27. The *Golsen* rule has *not* been overturned by the U.S. Supreme Court.

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28. The granting of a Writ of Certiorari indicates that at least four members of the Supreme Court believe that an issue is of sufficient importance to be heard by the full court.
True False
29. The “respondent” refers to the party against whom a suit is brought.
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32. The following citation is correct: *James E. Wiese*, T.C. Summary Opinion, 2005-91.
True False
33. An easy way to locate a journal article pertinent to a tax problem is through Commerce Clearing House’s *Federal Tax Articles*.
True False
34. Accessing tax documents through electronic means offers limited advantages over a strictly paper-based approach.
True False
35. Most major tax services are available in electronic format.
True False
36. Among the approaches available for online tax research are a keyword approach, a table of contents approach, an index approach, and a citation approach.
True False

37. The Internet provides a wealth of tax information in several popular forms, sometimes at no direct cost to the researcher.

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38. When dealing with proposed transactions, the tax research process is directed toward the determination of possible alternative consequences.

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39. A scholarship received by a student is excluded for purposes of computing whether a person is self-supporting under the qualified child provision.

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41. IRS agents must give the Code and Regulations issued thereunder equal weight when dealing with taxpayers and their representatives.

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43. Interpretive Regulations do *not* have the force and effect of law.

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44. A U. S. Tax Court decision carries less weight than a decision issued by the Fifth Circuit Court of Appeals.

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45. The computer-based CPA examination has four sections with true-false, multiple-choice, and case studies (called simulations).

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46. The Internal Revenue Code was codified in which of the following years?

- A. 1913.
- B. 1933.
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- A. Joint Committee on Taxation.
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49. Subchapter S covers which specific area of tax law?

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- A. § 212(1).
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- A. There is a \$1,000 penalty per failure to disclose on the tax return where there is a direct treaty conflict for an individual.
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52. Which of the following is *not* an administrative source of the tax law?

- A. General Counsel Memoranda.
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- C. Technical Advice Memoranda.
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53. Which of the following sources has the *highest* tax validity?

- A. Revenue Ruling.
- B. Letter ruling.
- C. Regulations.
- D. Internal Revenue Code section.
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- A. Temporary.
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- A. Issued by the U.S. Congress.
- B. Issued by the U.S. Treasury Department.
- C. Designed to provide an interpretation of the tax law.
- D. Carries more legal force than a Revenue Ruling.
- E. All of the above statements are true.

56. In assessing the importance of a regulation, an IRS agent must:

- A. Give equal weight to the Code and regulations.
- B. Give more weight to the Code rather than to a regulation.
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- A. May not be cited as precedent.
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65. Which publisher offers *Tax Center* that provides the Code, Regulations, and material from Matthew Bender, CCH, Kleinrock, and the Bureau of National Affairs?

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- A. Governmental bodies.
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71. Tax research involves which of the following procedures:

- A. Identifying and refining the problem.
- B. Locating the appropriate tax law sources.
- C. Assessing the validity of the tax law sources.
- D. Follow-up.
- E. All of the above.

72. Which tax-related website probably gives the best policy-orientation results?

- A. taxalmanac.org.
- B. irs.gov.
- C. taxsites.com.
- D. taxanalyst.com.
- E. ustaxcourt.gov.

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- A. Regular U.S. Tax Court decision.
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- A. Notice 89-99, 1989-2 C.B. 422.
- B. *Estate of Harry Holmes v. Comm.*, 326 U.S. 480 (1946).
- C. Rev. Rul. 79-353, 1979-2 C.B. 325.
- D. Temp. Reg. § 1.752-4T(f).
- E. All of the above are primary sources.

79. Which statement is *incorrect* with respect to taxation on the CPA exam?

- A. The CPA exam now has only four parts.
- B. There are no longer case studies on the exam.
- C. A candidate may not go back after exiting a testlet.
- D. Simulations include a four-function pop-up calculator.
- E. None of the above are incorrect.

80. What is the role of the Joint Conference Committee in the legislative process?

81. What are Treasury Department Regulations?

82. Compare Revenue Rulings with Revenue Procedures.

83. Compare a determination letter with a letter ruling.

84. Discuss the advantages and disadvantages of the Small Cases Division of the U.S. Tax Court.

85. Explain the tax appeals process from trial courts.

86. Explain the difference between tax avoidance and tax evasion.

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80. What is the role of the Joint Conference Committee in the legislative process?

When the Senate version of a bill differs from that passed by the House, the Joint Conference Committee, which includes members of both the House Ways and Means Committee and the Senate Finance Committee, is called upon to resolve the differences. The deliberations of the Joint Conference Committee usually produce a compromise between the two versions, which is then voted on by both the House and the Senate. If both bodies accept the bill, it is referred to the President for approval or veto.

81. What are Treasury Department Regulations?

Regulations are issued by the U.S. Treasury Department under authority granted by Congress. Interpretive by nature, they provide taxpayers with considerable guidance on the meaning and application of the Code. Regulations may be issued in *proposed*, *temporary*, or *final* form. Regulations carry considerable authority as the official interpretation of tax statutes. They are an important factor to consider in complying with the tax law. Courts generally ignore Proposed Regulations.

82. Compare Revenue Rulings with Revenue Procedures.

Revenue Rulings are official pronouncements of the National Office of the IRS. They typically provide one or more examples of how the IRS would apply a law to specific fact situations. Like Regulations, Revenue Rulings are designed to provide interpretation of the tax law. However, they do not carry the same legal force and effect as Regulations and usually deal with more restricted problems. Regulations are approved by the Secretary of the Treasury, whereas Revenue Rulings generally are not.

Revenue Procedures are issued in the same manner as Revenue Rulings, but deal with the internal management practices and procedures of the IRS. Familiarity with these procedures can increase taxpayer compliance and help the IRS administer the tax laws more efficiently. A taxpayer's failure to follow a Revenue Procedure can result in unnecessary delay or, in a discretionary situation, can cause the IRS to decline to act on behalf of the taxpayer.

83. Compare a determination letter with a letter ruling.

Like letter rulings, determination letters are issued at the request of taxpayers and provide guidance on the tax law. Determination letters differ from letter rulings in that the issuing source of a determination letter is the Area Director rather than the National Office of the IRS. Also, determination letters usually involve completed (as opposed to proposed) transactions. Determination letters are not published and are made known only to the party making the request.

84. Discuss the advantages and disadvantages of the Small Cases Division of the U.S. Tax Court.

There is no appeal from the Small Cases Division. The jurisdiction of the Small Cases Division is limited to cases involving amounts of \$50,000 or less. The proceedings of the Small Cases Division are informal (e.g., no necessity for the taxpayer to be represented by a lawyer or other tax adviser). Special trial judges rather than Tax Court judges preside over these proceedings. The decisions of the Small Cases Division are not precedents for any other court decision and are not reviewable by any higher court. Proceedings can be more timely and less expensive in the Small Cases Division. Some of these cases can now be found on the U.S. Tax Court Internet Website.

85. Explain the tax appeals process from trial courts.

Appeals from a District Court or a Tax Court decision are to the U. S. Court of Appeals for the circuit in which the taxpayer resides. Appeals from the Court of Federal Claims go to the U. S. Court of Appeals for the Federal Circuit. Few Tax Court cases are appealed, and when appeals are made, most are filed by the taxpayer rather than the IRS. There is no appeal from the Small Cases Division.

86. Explain the difference between tax avoidance and tax evasion.

A fine line exists between legal tax planning and illegal tax planning—tax avoidance versus tax evasion. Tax avoidance is merely tax minimization through legal techniques. In this sense, tax avoidance is the proper objective of all tax planning. Tax evasion, while also aimed at the elimination or reduction of taxes, connotes the use of subterfuge and fraud as a means to an end. Popular usage—probably because of the common goals involved—has so linked these two concepts that many individuals are no longer aware of the true distinctions between them. Consequently, some taxpayers have been deterred from properly taking advantage of planning possibilities.