

CHAPTER 2

WORKING WITH THE TAX LAW

SOLUTIONS TO PROBLEM MATERIALS

<u>Question/ Problem</u>	<u>Learning Objective</u>	<u>Topic</u>	<u>Status: Present Edition</u>	<u>Q/P in Prior Edition</u>
1	LO 1	Primary sources	New	
2	LO 1	Minimizing tax liability	New	
3	LO 1	Codification of the Internal Revenue Code	New	
4	LO 1	Conference committee	New	
5	LO 1	Committee reports	New	
6	LO 2, 5	Treaties	Modified	6
7	LO 1, 2	Regulation citation	New	
8	LO 1, 2	Regulations	Modified	8
9	LO 1, 4	Types of Regulations	Unchanged	9
10	LO 1	Revenue Ruling citation	New	
11	LO 1, 4	Authority	Modified	11
12	LO 1	Citations	New	
13	LO 1, 5	Letter rulings	Unchanged	13
14	LO 1	Letter rulings	Modified	14
15	LO 1	Letter rulings	Unchanged	15
16	LO 1	TAMs versus TEAMs	Unchanged	16
17	LO 1	Using the judicial system	Unchanged	17
18	LO 1	Small Cases Division	Unchanged	18
19	LO 1	U.S. District Court	Unchanged	19
20	LO 1, 5	Judicial alternatives: trial courts	Modified	20
21	LO 1	U.S. Tax Court	New	
22	LO 1	Judicial system	Unchanged	22
23	LO 1	Petitioner	New	
24	LO 1	Appellate court and fact-finding determination	Unchanged	24
25	LO 1	Trial Courts	Unchanged	25
26	LO 1	Circuit Court of Appeals	New	
27	LO 1	Precedents of courts	Unchanged	27
28	LO 1	Circuit Court of Appeals	Unchanged	28
29	LO 1, 4	Court decision validity	Unchanged	29
30	LO 2	Citation	New	

Instructor: For difficulty, timing, and assessment information about each item, see p. 2-3.

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<u>Question/ Problem</u>	<u>Learning Objective</u>	<u>Topic</u>	<u>Status: Present Edition</u>	<u>Q/P in Prior Edition</u>
31	LO 2	Appeal to U.S. Supreme Court	New	
32	LO 2	Citations	New	
33	LO 2	Citations	New	
34	LO 1, 2	Abbreviations	Unchanged	34
35	LO 2	Commerce Clearing House citations	Unchanged	35
36	LO 2	Location of decision of U.S. Court of Federal Claims	Unchanged	36
37	LO 1, 2	Cumulative Bulletin	Unchanged	37
38	LO 3	Tax research	Modified	38
39	LO 4	Code	Unchanged	39
40	LO 2, 4	Tax research	Unchanged	40
41	LO 6	Tax avoidance versus tax evasion	New	
42	LO 7	CPA exam	New	
43	LO 1	Subchapters	New	
44	LO 1	Location of Revenue Procedures	New	
45	LO 1	Federal Register	New	
46	LO 1, 4	Reliability	New	
47	LO 4	Tax sources	Unchanged	47
48	LO 1, 2	Publishers' citations	Unchanged	48
49	LO 6	Tax avoidance versus tax evasion	Modified	49

Instructor: For difficulty, timing, and assessment information about each item, see p. 2-3.

<u>Research Problem</u>	<u>Topic</u>	<u>Status: Present Edition</u>	<u>Q/P in Prior Edition</u>
1	Deductibility of meals and goodwill	New	
2	Subchapters	New	
3	Regulations	New	
4	Citations	New	
5	Locating article in a journal	New	
6	Frequent flyer miles and exclusions	New	
7	Court decision location	Unchanged	7
8	Reliability	Unchanged	8
9	Library research	Unchanged	9
10	Internet activity	Unchanged	10
11	Internet activity	Unchanged	11

Question/ Problem	Difficulty	Est'd completion time	Assessment Information	
			AICPA* Core Comp	AACSB* Core Comp
1	Easy	5	FN-Research	Analytic Reflective Thinking
2	Easy	5	FN-Research	Analytic Reflective Thinking
3	Easy	5	FN-Research	Analytic
4	Easy	5	FN-Research	Analytic
5	Easy	5	FN-Research	Analytic
6	Medium	20	FN-Reporting FN- Research	Communication Analytic
7	Easy	5	FN-Research	Analytic
8	Medium	10	FN-Research	Analytic
9	Hard	15	FN-Research	Analytic
10	Easy	5	FN-Research	Analytic
11	Hard	15	FN-Research	Analytic
12	Medium	10	FN-Research	Analytic
13	Medium	15	FN-Research	Communication Analytic
14	Hard	15	FN-Research	Analytic Reflective Thinking
15	Easy	5	FN-Research	Analytic
16	Medium	10	FN-Research	Analytic
17	Hard	15	FN-Research FN-Risk Analysis	Analytic Reflective Thinking
18	Easy	10	FN-Research	Analytic
19	Medium	10	FN-Research	Analytic
20	Hard	25	FN-Research	Communication Analytic
21	Medium	10	FN-Research	Analytic
22	Medium	10	FN-Research	Analytic
23	Easy	5	FN-Research	Analytic Reflective Thinking
24	Easy	5	FN-Research	Analytic
25	Easy	10	FN-Research	Analytic
26	Easy	10	FN-Research	Analytic
27	Medium	10	FN-Research	Analytic
28	Easy	10	FN-Research	Analytic
29	Hard	20	FN-Research	Analytic
30	Easy	10	FN-Research	Analytic
31	Medium	10	FN-Research	Analytic
32	Easy	10	FN-Research	Analytic
33	Medium	15	FN-Research	Analytic
34	Medium	20	FN-Research	Analytic
35	Easy	5	FN-Research	Analytic
36	Easy	5	FN-Research	Analytic

***Instructor:** See the Introduction to this supplement for a discussion of using AICPA and AACSB core competencies in assessment.

Question/ Problem	Difficulty	Est'd completion time	Assessment Information	
			AICPA* Core Comp	AACSB* Core Comp
37	Medium	15	FN-Research	Analytic
38	Medium	15	FN-Research	Analytic Reflective Thinking
39	Medium	10	FN-Research	Analytic
40	Hard	15	FN-Research	Analytic Reflective Thinking
41	Easy	15	FN-Leverage Technology FN- Research	Analytic Technology
42	Easy	5	FN-Measurement	Analytic
43	Medium	15	FN-Research	Analytic
44	Easy	10	FN-Research	Analytic
45	Medium	15	FN-Research	Analytic
46	Easy	15	FN-Research	Analytic
47	Medium	10	FN-Research	Analytic
48	Easy	15	FN-Research	Analytic
49	Medium	10	FN-Research	Analytic

***Instructor:** See the Introduction to this supplement for a discussion of using AICPA and AACSB core competencies in assessment.

DISCUSSION QUESTIONS

1. Primary sources of tax information include pronouncements from all three branches of government: legislative, executive, and judicial. p. 2-2
2. A taxpayer should maximize his or her after-tax return, which may include maximizing nontax as well as noneconomic benefits. p. 2-2
3. Congress first codified all of the Federal tax laws in 1939. p. 2-2
4. 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 legislative bodies accept the bill, it is referred to the President for approval or veto. p. 2-4
5. Committee Reports often explain the provisions of any proposed legislation and are therefore a valuable source for ascertaining the *intent of Congress*. What Congress had in mind when it considered and enacted tax legislation is, of course, the key to interpreting such legislation by taxpayers, the IRS, and the courts. Since Regulations normally are not issued immediately after a statute is enacted, taxpayers often look to Committee Reports to determine congressional intent. p. 2-4
6. Hoffman, Smith, and Willis, CPAs
5191 Natorp Boulevard
Mason, OH 45040

March 22, 2011

Mr. Butch Bishop
Tile, Inc.
100 International Drive
Tampa, Florida 33620

Dear Mr. Bishop:

This letter is in response to your request about information concerning a conflict between a U.S. treaty with France and a section of the Internal Revenue Code. The major reason for treaties between the U.S. and certain foreign countries is to eliminate double taxation and to render mutual assistance in tax enforcement.

Section 7852(d) provides that if a U.S. treaty is in conflict with a provision in the Code, neither will take general precedence. Rather, the more recent of the two will have precedence. In your case, the French treaty takes precedence over the Code section.

A taxpayer must disclose on the tax return any positions where a treaty overrides a tax law. There is a \$1,000 penalty per failure to disclose for individuals and a \$10,000 penalty per failure for corporations.

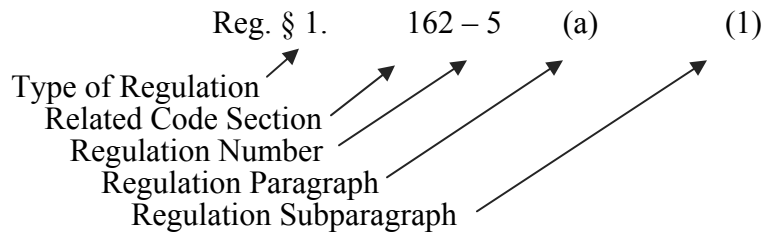
Should you need more information, feel free to contact me.

Sincerely,

Alice Hanks, CPA
Tax Partner

p. 2-20

7. Income tax



p. 2-7

8. Since Regulations interpret the Code, they are arranged in the same sequence as the Code. Regulations are prefixed by a number that designates the type of tax or administrative, procedural, or definitional matter to which they relate. These Regulations would be cited as follows with subparts added for further identification. The subparts have no correlation with the subsections in the Code.

- a. Reg. § 1.351.
- b. Prop. Reg. § 1.2036.
- c. Temp. Reg. § 1.482.
- d. Reg. § 1.1504.

p. 2-7

9. In many Code sections, Congress has given to the “Secretary or his delegate” the authority to prescribe Regulations to carry out the details of administration or otherwise to complete the prevailing administrative rules. Under such circumstances, it almost could be said that Congress is delegating its legislative powers to the Treasury Department. Regulations that are issued pursuant to this type of authority truly possess the force and effect of law and often are called “legislative” Regulations. Examples of “legislative” Regulations include those that address consolidated returns issued under §§ 1501 through 1505 and those that addressed the debt/equity question issued under § 385 (withdrawn).

Legislative Regulations are to be distinguished from “interpretive” Regulations, which purport to rephrase and elaborate on the meaning (i.e., intent of Congress) of a particular Code Section. An example of interpretive Regulations are those issued under § 1031 for like-kind exchanges.

Procedural Regulations are “housekeeping-type” instructions indicating information that taxpayers should provide to the IRS as well as information about the management and conduct of the IRS itself.

The need to distinguish between these three types of Regulations relates to their validity as a tax law source.

pp. 2-8 and 2-29

10. Rev. Rul. 76-175 is the 175th revenue ruling issued during 1976, and it appears on page 92 of Volume 2 of the Cumulative Bulletin in 1976. p. 2-9

11. The items would probably be ranked as follows (from lowest to highest):

- (1) Letter ruling (valid only to the taxpayer to whom issued).
- (2) Proposed Regulation (most courts ignore Proposed Regs.).
- (3) Revenue Ruling.
- (4) Interpretive Regulation.
- (5) Legislative Regulation.
- (6) Internal Revenue Code.

pp. 2-7 to 2-11, 2-28, 2-29, and Exhibit 2.1

12. a. A Proposed Regulation, with 1 referring to the type of Regulation (i.e., income tax), 1001 is the related Code section number, 3 is the subsection number, (h) is the paragraph designation, and (2) is the subparagraph number.
- b. Revenue Procedure number 38, appearing on page 1037 of Volume 1 of the Cumulative Bulletin issued in 2002.
- c. Letter Ruling 14, issued in the fifteenth week of 1990.

pp. 2-7 to 2-10

13. TAX FILE MEMORANDUM

September 23, 2011

FROM: George Ames

SUBJECT: Telephone conversation with Sally Brown on applicability of 2001 letter ruling

I told Sally Brown that only the taxpayer to whom the 2001 letter ruling was issued may rely on the pronouncement. I stressed that a letter ruling has no precedential value under § 6110(j)(3).

I pointed out that a letter ruling indicates the position of the IRS on the specific fact pattern present as of the date of the letter ruling. As such, a letter ruling is not primary authority. However, under Notice 90-20, 1990-1 C.B. 328, a letter ruling is substantial authority for purposes of the accuracy-related penalty in § 6662.

pp. 2-9, 2-10, and Exhibit 2.1

14. Sri should consider the following factors in determining if he should request a letter ruling from the IRS with respect to the proposed stock redemption:

- For a fee, the IRS will issue a letter ruling at a taxpayer's request and describe how the IRS will treat a proposed transaction. The letter ruling applies only to the requesting taxpayer. A Revenue Ruling is applicable to all taxpayers.
- Sri must determine if the possible tax amount is large enough to warrant the costs and time to apply for a letter ruling. Here the tax issue is probably important enough to do so.

- If Sri is likely to obtain an adverse letter ruling from the National Office, he should forgo the ruling request.
- The letter ruling would have substantial authority for purposes of the accuracy-related penalty.
- Sri would need to consult Rev. Proc. 2011-1 to be certain the IRS will issue a ruling about this tax issue. The IRS will not rule in certain areas that involve fact-oriented situations, but will probably issue one here.

pp. 2-9 and 2-10

15. Letter rulings may be found in:

- Private Letter Rulings (RIA).
- BNA Daily Tax Reports.
- Tax Notes (Tax Analysts).
- IRS Letter Rulings Report (CCH).

p. 2-9 and Exhibit 2.1

16. TEAMs are issued by the Office of Chief Counsel to expedite legal guidance to field agents as disputes are developing. TEAMs differ from TAMs as follows:

- A mandatory pre-submission conference involving the taxpayer.
- In the event of a tentatively adverse conclusion to the taxpayer or to the field, a conference of right will be offered to the taxpayer and to the field.
- No further conferences are offered once the conference of right is held.

p. 2-11

17. Dwain must consider several factors in deciding whether to take the dispute to the judicial system:

- How expensive will it be?
- How much time will be consumed?
- Does he have the temperament to engage in the battle?
- What is the probability of winning?

Once a decision is made to litigate the issue, the appropriate judicial forum must be selected.

- Tax Court judges have more expertise in tax matters.
- The tax deficiency need not be paid to litigate in the Tax Court. However, if Dwain loses, interest must be paid on any unpaid deficiency.

- If a trial by jury is preferred, the U.S. Tax Court is the appropriate forum.
- The tax deficiency must be paid before litigating in the District Court or the Court of Federal Claims.
- If an appeal to the Federal Circuit is important, Dwain should select the Court of Federal Claims.

A survey of the decisions involving the issues in dispute is appropriate. If a particular court has taken an unfavorable position, that court should be avoided.

pp. 2-11 to 2-18

18. a. No. There is no appeal from the Small Cases Division.
- b. No. Deficiency cannot exceed \$50,000.
- c. Yes.
- d. No. However, decisions are now published on the Tax Court's website.
- e. Yes.
- f. Yes.

pp. 2-11 to 2-18

19. The major advantage of a U.S. District Court is the availability of a trial by a jury. One disadvantage of a U.S. District Court is that the tentative tax deficiency first must be paid before the Court will hear and decide the controversy. In the U.S. Tax Court, the tax need not be paid prior to litigating the controversy (although interest will be due on an unpaid deficiency). pp. 2-12 to 2-14

20. Hoffman, Smith, and Willis, CPAs
5191 Natorp Boulevard
Mason, OH 45040

July 8, 2011

Mr. Caleb Toombs
200 Mesa Drive
Tucson, AZ 85714

Dear Mr. Toombs:

You have three alternatives should you decide to pursue your \$323,000 deficiency in the court system. One alternative is the U.S. Tax Court, the most popular forum. Some people believe that the Tax Court judges have more expertise in tax matters. The main advantage is that the U.S. Tax Court is the only trial court where the tax need not be paid prior to litigating the controversy. However, interest will be due on an unpaid deficiency. The interest rate varies from one quarter to the next as announced by the IRS.

One disadvantage of the U.S. Tax Court is the possible delay that might result before a case is decided. The length of delay depends on the Court calendar, which includes a schedule of

locations where cases will be tried. Another disadvantage is being unable to have the case heard before a jury.

The major advantage of another alternative, the U.S. District Court, is the availability of a trial by jury. One disadvantage of a U.S. District Court is that the tentative tax deficiency first must be paid before the Court will hear and decide the controversy.

The Court of Federal Claims, the third alternative, is a trial court that usually meets in Washington, D.C. It has jurisdiction for any claim against the United States that is based on the Constitution, any Act of Congress, or any regulation of an executive department. The main advantage of the U.S. Court of Federal Claims occurs when a taxpayer's applicable Circuit Court previously has rendered an adverse decision. Such a taxpayer may select the Court of Federal Claims, since any appeal instead will be to the Federal Circuit. One disadvantage of the Court of Federal Claims is that the tentative deficiency first must be paid before the Court will hear and decide the controversy.

I hope this information is helpful, and should you need more help, please contact me.

Sincerely,

Agnes Reynolds, CPA
Tax Partner

pp. 2-12 to 2-15, Figure 2.3, and Concept Summary 2.1

21. The U.S. Tax Court hears only tax cases and is the most popular forum for tax cases. Some people suggest that the Tax Court has more expertise in tax matters. A taxpayer does not have to pay the tax deficiency assessed by the IRS before trial, but a taxpayer may deposit a cash bond to stop the running of interest. Appeals from a Tax Court are to the appropriate U.S. Court of Appeals. A taxpayer may not obtain a jury trial in the U.S. Tax Court. p. 2-13
22. See Figure 2.3 and Concept Summary 2.1.
 - a. There is no appeal by either the taxpayer or the IRS from a decision of the Small Cases Division of the U.S. Tax Court. pp. 2-11 to 2-18
 - b. The first appeal would be to the Sixth Circuit Court of Appeals. Further appeal would be to the U.S. Supreme Court. pp. 2-13, 2-16, and Figures 2.3 and 2.4
 - c. Same as b. above. pp. 2-13, 2-16, and Figures 2.3 and 2.4
 - d. The appeal would be to the Federal Circuit Court of Appeals and then to the U.S. Supreme Court. pp. 2-13, 2-14, 2-16, and Figures 2.3 and 2.4
23. The term "petitioner" is synonym for plaintiff, the party requesting action in a courtroom dispute. p. 2-12
24. Both the Code and the Supreme Court indicate that the Federal appellate courts are bound by findings of facts unless they are clearly erroneous. Thus, the *role* of appellate courts is limited to a review of the record of trial compiled by the trial courts. Thus, the appellate process usually involves a determination of whether the trial court applied the proper law in arriving at its decision. Rarely will an appellate court disturb a lower court's fact-finding determination. p. 2-15

		<u>U.S. Tax Court</u>	<u>U.S. District Court</u>	<u>U.S. Court of Federal Claims</u>	
25.					
	a.	Number of regular judges	19	Varies; one judge hears a case	16
	b.	Jury trial	No	Yes	No
	c.	Prepayment of deficiency required before trial	No	Yes	Yes

Concept Summary 2.1

26. A U.S. District Court decision from Alaska (choice a.) may be appealed to the Ninth Circuit Court of Appeals. Other states in the Ninth Circuit include Arizona, California, Idaho, Montana, Nevada, Oregon, and Washington state. p. 2-14 and Figure 2.4

27. a. The Tax Court must follow its own cases, the pertinent U.S. Circuit Court of Appeals, and the Supreme Court.
- b. The Court of Federal Claims must follow its own decisions, the Federal Circuit Court of Appeals, and the Supreme Court.
- c. The District Court must follow its own decisions, the pertinent U.S. Circuit Court of Appeals, and the Supreme Court.

p. 2-16 and Figure 2.3

28. The appropriate Circuit Court of Appeals for an appeal depends on where the litigation originated. For example, an appeal from Texas would go to the Fifth Circuit Court of Appeals, or an appeal from Colorado would go to the Tenth Circuit Court of Appeals. p. 2-14 and Figure 2.4

29. a. If the taxpayer chooses a U.S. District Court as the trial court for litigation, the U.S. District Court of Wyoming would be the forum to hear the case. Unless the prior decision has been reversed on appeal, one would expect the same court to follow its earlier holding. pp. 2-11 and 2-30
- b. If the taxpayer chooses the U.S. Court of Federal Claims as the trial court for litigation, the decision that previously was rendered by this Court should have a direct bearing on the outcome. If the taxpayer selects a different trial court (i.e., the appropriate U.S. District Court or the U.S. Tax Court), the decision that was rendered by the U.S. Court of Federal Claims would be persuasive, but not controlling. It is, of course, assumed that the result that was reached by the U.S. Court of Federal Claims was not reversed on appeal. pp. 2-11, 2-16, and 2-30
- c. The decision of a U.S. Circuit Court of Appeals will carry more weight than will one that was rendered by a trial court. Since the taxpayer lives in California, however, any appeal from a U.S. District Court or the U.S. Tax Court would go to the Ninth Circuit Court of Appeals (see Figure 2.2). Although the Ninth Circuit Court of Appeals might be influenced by what the Second Circuit Court of Appeals has decided, it is not compelled to follow such holding. pp. 2-11, 2-16, 2-30, and Figure 2.4

- d. Because the U.S. Supreme Court is the highest appellate court, one can place complete reliance upon its decisions. Nevertheless, one should investigate any decision to see whether the Code has been modified with respect to the result that was reached. There also exists the rare possibility that the Court may have changed its position in a later decision. pp. 2-11, 2-16, 2-29, and Figure 2.3
 - e. When the IRS acquiesces to a decision of the U.S. Tax Court, it agrees with the result that was reached. As long as such acquiescence remains in effect, taxpayers can be assured that this represents the position of the IRS on the issue that was involved. Keep in mind, however, that the IRS can change its mind and can, at any time, withdraw the acquiescence and substitute a nonacquiescence. p. 2-17
 - f. The issuance of a nonacquiescence usually reflects that the IRS does not agree with the result that was reached by the U.S. Tax Court. Consequently, taxpayers are placed on notice that the IRS will continue to challenge the issue that was involved. pp. 2-17 and 2-18
30. The number 304 is the volume number for the Federal Supplement Series, and 991 is the page number of the 440th volume of the Federal Second Series. The District Court (D. Ct.) cite is to the trial court. p. 2-18
31. There is no automatic right of appeal to the U.S. Supreme Court. Appeal is by *writ of certiorari*. If the Court agrees to hear the dispute, it will grant the *writ (Cert. granted)*. Most often, the highest court will deny jurisdiction (*Cert. denied*). p. 2-16
- 32.
- a. U.S. Supreme Court.
 - b. U.S. Tax Court.
 - c. Memorandum Decision of the U.S. Tax Court.
 - d. U.S. Ninth Circuit Court of Appeals.
 - e. A U.S. District Court in North Carolina.
 - f. A revenue ruling; not a court decision.
- pp. 2-16 to 2-19
- 33.
- a. This citation is to a regular decision of the U.S. Tax Court that was issued in 1983. The decision can be found in Volume 81, page 782, of the Tax Court of the United States Reports, published by the U.S. Government Printing Office. pp. 2-16 to 2-19 and Concept Summary 2.2
 - b. This citation is for a decision of the U.S. Third Circuit Court of Appeals that was rendered in 1997. The decision can be found in Volume 125, page 120, of the Federal Reporter, Third Series (F.3d), published by West Publishing Company. pp. 2-16 to 2-19 and Concept Summary 2.2
 - c. This citation is for a decision of the U.S. Second Circuit Court of Appeals that was rendered in 2005. The decision can be found in Volume 2 for 2005, paragraph 50,575, of U.S. Tax Cases, published by Commerce Clearing House. pp. 2-16 to 2-19 and Concept Summary 2.2

- d. This citation is for a decision of the U.S. Second Circuit Court of Appeals that was rendered in 2005. The decision can be found in Volume 96, page 6344, of the Second Series of American Federal Tax Reports, published by RIA. pp. 2-16 to 2-19 and Concept Summary 2.2

[Note that the citations that appear in c. and d. are for the same case.]

- e. This citation is for a decision of the U.S. District Court of Connecticut that was rendered in 2004. The decision can be found in Volume 330, page 122, of the Federal Supplement Series, published by West Publishing Company. pp. 2-16 to 2-19 and Concept Summary 2.2
34. a. CA-2. An abbreviation that designates the U.S. Second Circuit Court of Appeals. pp. 2-16 to 2-19
- b. Fed.Cl. An abbreviation for the Federal Claims Reporter published by West Publishing Company. It includes the decisions of the U.S. Court of Federal Claims and begins with Volume 27. pp. 2-16 to 2-19
- c. aff'd. An abbreviation for “affirmed,” which indicates that a lower court decision was affirmed (approved of) on appeal. p. 2-15
- d. rev'd. An abbreviation for was “reversed,” which indicates that a lower court decision was reversed (disapproved of) on appeal. p. 2-16
- e. rem'd. An abbreviation for “remanded,” which indicates that a lower court decision is being sent back by a higher court for further consideration. p. 2-16
- f. Cert. denied. The Writ of Certiorari has been denied by the U.S. Supreme Court. This writ means that the Court will not accept an appeal from a lower court and, therefore, will not consider the case further. p. 2-16
- g. Acq. An abbreviation for “acquiescence” (agreement). The IRS follows a policy of either acquiescing or nonacquiescing to certain decisions. p. 2-17
- h. B.T.A. An abbreviation for the Board of Tax Appeals. From 1924 to 1942, the U.S. Tax Court was designated as the Board of Tax Appeals. p. 2-17
- i. USTC. U.S. District Court, U.S. Circuit Court of Appeals, U.S. Court of Federal Claims, and U.S. Supreme Court decisions that address Federal tax matters are reported in the Commerce Clearing House U.S. Tax Cases (USTC) and the RIA (formerly P-H) American Federal Tax Reports (AFTR) series. pp. 2-18, 2-19, and Concept Summary 2.2
- j. AFTR. See the solution to i. above. p. 2-19 and Concept Summary 2.2
- k. F.3d. All of the decisions (both tax and nontax) of the U.S. Claims Court (before October 1982) and the U.S. Circuit Court of Appeals are published by West Publishing Company in a reporter that is designated as the Federal Reporter, Second Series (F.2d). Volume 999, published in 1993, is the last volume of the Federal Second Series. It is followed by the Federal Third Series (F.3d). p. 2-19 and Concept Summary 2.2

- l. F.Supp. Most Federal District Court decisions, dealing with both tax and nontax issues, are published by West Publishing Company in their Federal Supplement Series (F.Supp.). pp. 2-18, 2-19, and Concept Summary 2.2
 - m. USSC. An abbreviation for the U.S. Supreme Court. p. 2-19
 - n. S.Ct. West Publishing Company publishes all of the U.S. Supreme Court decisions in its Supreme Court Reporter (S.Ct.). p. 2-19 and Concept Summary 2.2
 - o. D.Ct. An abbreviation for a U.S. District Court decision. p. 2-18
- 35.
- a. None.
 - b. USTC.
 - c. USTC.
 - d. USTC.
 - e. TCM.
- pp. 2-18, 2-19, and Concept Summary 2.2
36. Decisions of the U.S. Court of Federal Claims (formerly named the Claims Court) are published in the USTCs, AFTRs, and the West Publishing Co. reporter called the Federal Reporter, Second Series (F.2d) (before October 1982) and Claims Court Reporter (beginning October 1982 through October 30, 1992). The name of the U.S. Court of Federal Claims was changed from the Claims Court effective October 30, 1992. Currently, this court's decision are published in the Federal Claims Reporter. p. 2-19 and Concept Summary 2.2
- 37.
- a. Yes. Exhibit 2.1
 - b. No. Not published there. Concept Summary 2.2 and p. 2-11
 - c. No. Published by private publishers. Exhibit 2.1 and p. 2-9
 - d. Yes. Exhibit 2.1 and p. 2-9
 - e. Yes. Exhibit 2.1 and p. 2-7
 - f. No. Concept Summary 2.2 and p. 2-19
 - g. Yes, when major tax legislation has been enacted by Congress. p. 2-9 and Footnote 12
 - h. Yes. p. 2-17
 - i. No. Concept Summary 2.2

38. After understanding the relevant facts:
- Yvonne may begin with the index volumes of the available tax services: RIA, CCH, BNA Portfolios, etc.
 - A key word search on an online service could be helpful—WESTLAW, LEXIS, CCH, and RIA Checkpoint.
 - Yvonne may employ a key word search of a CD-ROM and browse through a tax service, IRS publications, etc. West Publishing, CCH, Kleinrock, and RIA offer CD-ROM products.
 - Yvonne could consult CCH's Federal Tax Articles to locate current appropriate articles written about alimony payments. RIA's Tax Service also has a topical "Index to Tax Articles" section that is organized using the RIA paragraph index system.
 - Yvonne may consult The Accounting & Tax Index which is available in three quarterly issues and a cumulative year-end volume covering all four quarters.
 - Up-to-date information may be found on the World Wide Web feature of the Internet. Various legal, accounting, and financial gateways can be found by clicking on highlighted words or phrases.

pp. 2-22 to 2-36

39. The current Code can be found in various places. Several of the major tax services publish paperback editions of the Code (and Regulations). These editions are usually revised twice each year. An annotated and abridged version of the Code and Regulations is published annually by Cengage/South-Western (by James E. Smith). Further, the text of the Code may be found in the major tax services and as Title 26 of the U.S. Code. The Code also may be found on the Web. p. 2-28 and Footnote 35
40. The best means of locating tax articles pertinent to your problem is through Commerce Clearing House's Federal Tax Articles. This multi-volume service includes a subject index, a Code § number index, and an author's index. In addition, you might wish to try the RIA (formerly P-H) tax service's topical "Index to Tax Articles" section [organized using the RIA (formerly P-H) paragraph index system].

Court decisions and Revenue Rulings may be reviewed for reliability by using the Federal Tax Citator that is published by Research Institute of America (formerly Prentice-Hall). The Citator consists of six bound volumes and monthly cumulative paperback supplements. The researcher must be sure to examine the cumulative paperback supplements to determine the current status of a case. Commerce Clearing House also publishes a Citator.

The Commerce Clearing House tax service contains a special volume that is devoted to current matters. RIA integrates the new developments into the body of the service throughout the year. Computer-assisted tax research might also be helpful. pp. 2-20 to 2-31

41. Denis Healy says "the difference between tax avoidance and tax evasion is the thickness of a prison wall." 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. p. 2-37

42. Simulations on the CPA exam are small case studies designed to test a candidate's tax knowledge and skills using real-life, work-related situations. Simulations include a four-function pop-up calculator, a blank spreadsheet with some elementary functionality, and authoritative excerpts that are necessary to complete the tax case study simulations (e.g., Internal Revenue Code and Federal tax forms). p. 2-38

PROBLEMS

43. d. p. 2-4
44. c. Exhibit 2.1
45. d. Exhibit 2.1
46. a. Code section.
b. Legislative Regulation.
c. Recent Temporary Regulation.
d. Interpretive Regulation.
e. Revenue Ruling.
f. Letter Ruling.
g. Proposed Regulation.
pp. 2-28, 2-29, and Exhibit 2.1
47. a. P.
b. P.
c. P.
d. S.
e. P.
f. S.
g. P. Valid for 3 years.
h. P.
i. N.
j. P.
pp. 2-2 and 2-31

48. a. U.S.
b. CCH.
c. W.
d. RIA.
e. CCH.
f. RIA.
g. U.S.
h. U.S.
i. W.
j. U.S.

pp. 2-16 to 2-19 and Concept Summary 2.2

49. a. E.
b. E.
c. A.
d. A.
e. A.

pp. 2-33 to 2-35

The answers to the Research Problems are incorporated into the *Instructor's Guide with Lecture Notes* to accompany the 2012 Annual Edition of *SOUTH-WESTERN FEDERAL TAXATION: INDIVIDUAL INCOME TAXES*.

NOTES