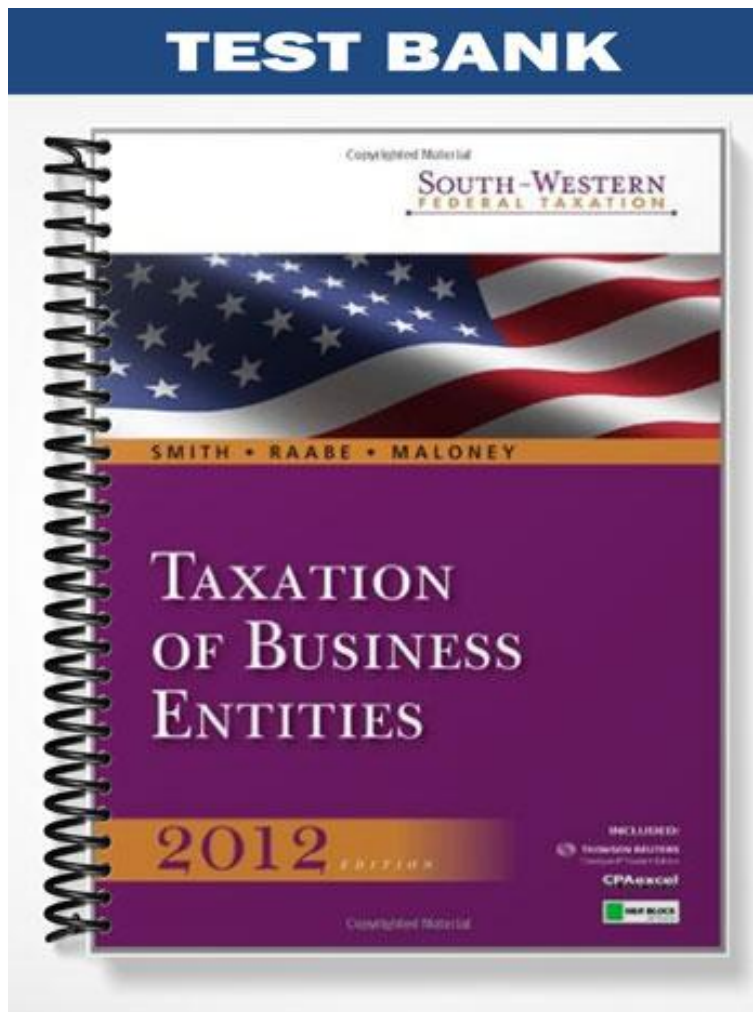


TEST BANK



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.
True False
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.
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9. Temporary Regulations are first published in the *Internal Revenue Bulletin*.
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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
24. 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.
True False
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.
True False
27. The *Golsen* rule has *not* been overturned by the U.S. Supreme Court.
True False
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.
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29. The “respondent” refers to the party against whom a suit is brought.
True False
30. The term “respondent” is a synonym for plaintiff.
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31. Before 1943, the U.S. Tax Court was called the Board of Tax Appeals.
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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.
- True False
39. A court will never invalidate a Regulation or portion thereof on the grounds that the Regulation is contrary to the intent of Congress.
- True False
40. IRS agents must give the Code and Regulations issued thereunder equal weight when dealing with taxpayers and their representatives.
- True False
41. Proposed Regulations are often cited by the various courts.
- True False
42. Interpretive Regulations do *not* have the force and effect of law.
- True False
43. A U. S. Tax Court decision carries less weight than a decision issued by the Fifth Circuit Court of Appeals.
- True False

44. The computer-based CPA examination has four sections with true-false, multiple-choice, and case studies (called simulations).
- True False
45. The Internal Revenue Code was codified in which of the following years?
- A. 1913.
 - B. 1933.
 - C. 1954.
 - D. 1957.
 - E. None of the above.
46. Tax bills are handled by which committee in the U.S. Senate?
- A. Taxation Committee.
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- A. Joint Committee on Taxation.
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48. Subchapter S covers which specific area of tax law?
- A. Simplification.
 - B. Deductions.
 - C. Capital gains and losses.
 - D. Tax rates.
 - E. None of the above.
49. Which is *not* a Code section number?
- A. § 212(1).
 - B. § 2(a)(1).
 - C. § 280B.
 - D. § 6(a).
 - E. All are current Code sections.

50. Which statement is *false* with respect to tax treaties?
- 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.
 - B. There is a \$10,000 penalty per failure to disclose on the tax return where there is a direct treaty conflict for a corporation.
 - C. Treaties override the Code when in conflict.
 - D. Treaties may override a Code section when in conflict.
 - E. None of the above.
51. 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.
 - D. Actions on Decisions.
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52. Which of the following sources has the *highest* tax validity?
- A. Revenue Ruling.
 - B. Letter ruling.
 - C. Regulations.
 - D. Internal Revenue Code section.
 - E. None of the above.
53. Which of the following types of Regulations has the *highest* tax validity?
- A. Temporary.
 - B. Legislative.
 - C. Interpretative.
 - D. Procedural.
 - E. None of the above.
54. What statement is *not* true with respect to a regulation which interprets the tax law?
- 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.
55. 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.
 - C. Give more weight to the regulation rather than to the Code.
 - D. Give less weight to the Code rather than to a regulation.
 - E. None of the above.

56. Which item may *not* be cited as a precedent?
- A. Regulations.
 - B. Temporary Regulations.
 - C. Technical Advice Memoranda.
 - D. U.S. District Court decision.
 - E. None of the above.
57. What statement is *not* true with respect to Temporary Regulations?
- A. May not be cited as precedent.
 - B. Issued as Proposed Regulations.
 - C. Automatically expire within three years after the date of issuance.
 - D. Found in the *Federal Register*.
 - E. All of the above statements are true.
58. What administrative release deals with a proposed transaction rather than a completed transaction?
- A. Letter Ruling.
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- A. U.S. Tax Court Memorandum decision.
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61. Which tax source may override a Regulation section?
- A. Revenue Ruling.
 - B. Revenue Procedure.
 - C. U.S. tax treaty.
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 - E. None of the above.

62. Which of the following journals is published by the American Institute of CPAs?
- A. Journal of Taxation.
 - B. Corporate Taxation.
 - C. Tax Law Review.
 - D. The Tax Advisor.
 - E. All of the above.
63. Where can a researcher *not* find a U.S. Court of Appeals decision?
- A. Federal 3d (West).
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 - D. USTC (CCH).
 - E. None of the above.
64. Which publisher offers *Tax Center* that provides the Code, Regulations, and material from Matthew Bender, CCH, Kleinrock, and the Bureau of National Affairs?
- A. Research Institute of America.
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 - D. Prentice-Hall.
 - E. None of the above.
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- A. *Standard Federal Tax Reporter*.
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 - C. *United States Tax Reporter*.
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68. When searching on an online tax service, which approach is more frequently used?
- A. Code section approach.
 - B. Keyword approach.
 - C. Table of contents approach.
 - D. Index.
 - E. All are about the same.
69. A researcher can find tax information on home page sites of:
- A. Governmental bodies.
 - B. Tax academics.
 - C. Publishers.
 - D. CPA firms.
 - E. All of the above.
70. 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.
71. 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.
72. Which court decision would probably carry more weight?
- A. Regular U.S. Tax Court decision.
 - B. Reviewed 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.
78. 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.

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

80. What are Treasury Department Regulations?

81. Compare Revenue Rulings with Revenue Procedures.

82. Compare a determination letter with a letter ruling.

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

84. Explain the tax appeals process from trial courts.

Chapter 2 - Working With The Tax Law **Key**

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TRUE

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

FALSE

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

TRUE

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

FALSE

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 - D. Simulations include a four-function pop-up calculator.
 - E. None of the above are incorrect.
79. 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.

80. 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.

81. 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.

82. 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.

83. 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.

84. 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.