

TEST BANK

South-Western Publishing Company
SOUTH-WESTERN
FEDERAL TAXATION



COMPREHENSIVE VOLUME

2014

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COMPREHENSIVE VOLUME--CHAPTER 2--WORKING WITH THE TAX LAW

Student: _____

1. Rules of tax law do *not* include Revenue Rulings and Revenue Procedures.
True False
2. A tax professional need not worry about the relative weight of authority within the various tax law sources.
True False
3. In recent years, Congress has been relatively successful in simplifying the *Internal Revenue Code*.
True False
4. A taxpayer should always minimize his or her tax liability.
True False
5. The first codification of the tax law occurred in 1954.
True False
6. The Code section citation is incorrect: § 212(1).
True False
7. Subchapter D refers to the “Corporate Distributions and Adjustments” section of the *Internal Revenue Code*.
True False
8. Regulations are generally issued immediately after a statute is enacted.
True False
9. Temporary Regulations are only 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.
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12. The following citation can be a correct citation: Rev. Rul. 95-271, I.R.B. No. 54, 18.
True False
13. Revenue Procedures 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 finalized transactions.
True False
18. Technical Advice Memoranda deal with completed 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.
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24. A taxpayer must pay any tax deficiency assessed by the IRS and sue for a refund to bring suit in the U.S. District Court.
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25. Arizona is in the jurisdiction of the Eighth Circuit Court of Appeals.
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29. The “petitioner” refers to the party against whom a suit is brought.
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31. The U.S. Tax Court meets most often in Washington, D.C.
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32. There are 11 geographic U.S. Circuit Court of Appeals.
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35. There is a direct conflict between a Code section adopted in 2008 and a treaty with France (signed in 2012). The Code section controls.
True False
36. The *Index to Federal Tax Articles* (published by Warren, Gorham, and Lamont) is available in print and electronic formats.
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37. A U.S. District Court is the lowest trial court.
True False
38. The research process should begin with a tax service.
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39. Electronic databases are most frequently searched by the keyword approach.
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43. Deferring income to a subsequent year is considered to be tax avoidance.
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45. The Regulation section of the CPA exam is 60% Taxation and 40% Law & Professional Responsibilities.
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- A. 1913.
 - B. 1923.
 - C. 1939.
 - D. 1954.
 - E. 1986.
47. Tax bills are handled by which committee in the U.S. House of Representatives?
- A. Taxation Committee.
 - B. Ways and Means Committee.
 - C. Finance Committee.
 - D. Budget Committee.
 - E. None of the above.
48. Federal tax legislation generally originates in what body?
- A. Internal Revenue Service.
 - B. Senate Finance Committee.
 - C. House Ways and Means Committee.
 - D. Senate Floor.
 - E. None of the above.
49. Subtitle A of the Internal Revenue Code covers which of the following taxes?
- A. Income taxes.
 - B. Estate and gift taxes.
 - C. Excise taxes.
 - D. Employment taxes.
 - E. All of the above.
50. In § 212(1), the number (1) stands for the:
- A. Section number.
 - B. Subsection number.
 - C. Paragraph designation.
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51. Which of these is *not* a correct citation to the Internal Revenue Code?
- A. Section 211.
 - B. Section 1222(1).
 - C. Section 2(a)(1)(A).
 - D. Section 280B.
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- A. Field Service Advice.
 - B. Revenue Procedure.
 - C. Technical Advice Memoranda.
 - D. General Counsel Memorandum.
 - E. All of the above are administrative sources.
53. Which of the following sources has the *highest* tax validity?
- A. Revenue Ruling.
 - B. Revenue Procedure.
 - C. Regulations.
 - D. *Internal Revenue Code* section.
 - E. None of the above.
54. Which of the following types of Regulations has the *highest* tax validity?
- A. Temporary.
 - B. Legislative.
 - C. Interpretive.
 - D. Procedural.
 - E. None of the above.
55. Which statement is *not* true with respect to a Regulation that 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.
56. In addressing the importance of a Regulation, an IRS agent must:
- A. Give equal weight to the Code and the 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.
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 - E. None of the above.

57. Which item may *not* be cited as a precedent?
- A. Regulations.
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 - C. Technical Advice Memoranda.
 - D. U.S. District Court decision.
 - E. None of the above.
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- 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*.
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59. What administrative release deals with a proposed transaction rather than a completed transaction?
- A. Letter Ruling.
 - B. Technical Advice Memorandum.
 - C. Determination Letter.
 - D. Field Service Advice.
 - E. None of the above.
60. Which of the following indicates that a decision has precedential value for future cases?
- A. *Stare decisis*.
 - B. *Golsen* doctrine.
 - C. *En banc*.
 - D. Reenactment doctrine.
 - E. None of the above.
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- A. U.S. Supreme Court.
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63. A jury trial is available in the following trial court:
- A. U.S. Tax Court.
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 - C. U.S. District Court.
 - D. U.S. Circuit Court of Appeals.
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64. A taxpayer may *not* appeal a case from which court:
- A. U.S. District Court.
 - B. U.S. Circuit Court of Appeals.
 - C. U.S. Court of Federal Claims.
 - D. Small Case Division of the U.S. Tax Court.
 - E. None of the above.
65. The IRS will *not* acquiesce to the following tax decisions:
- A. U.S. District Court.
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 - E. All of the above.
66. Which publisher offers the *Standard Federal Tax Reporter*?
- A. Research Institute of America.
 - B. Commerce Clearing House.
 - C. Prentice-Hall.
 - D. LexisNexis.
 - E. None of the above.
67. Which is presently *not* a major tax service?
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69. 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.
70. 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.
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.
73. 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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75. Which items tell taxpayers the IRS's reaction to certain court decisions?
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 - D. Prop. Reg. § 1.752-4T(f).
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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.
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80. How can Congressional committee reports be used by a tax researcher?

81. What are Treasury Department Regulations?

82. Compare Revenue Rulings with Revenue Procedures.

83. What is a Technical Advice Memorandum?

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

85. Distinguish between the jurisdiction of the U.S. Tax Court and a U.S. District Court.

86. How do treaties fit within tax sources?

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80. How can Congressional committee reports be used by a tax researcher?

Congressional committee reports often explain the provisions of proposed legislation and are a valuable source of ascertaining the intent of Congress. The intent of Congress is the key to interpreting new legislation by taxpayers, especially before Regulations are published.

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. What is a Technical Advice Memorandum?

The National Office of the IRS releases Technical Advice Memoranda (TAMs) weekly. TAMs resemble letter rulings in that they give the IRS's determination of an issue. However, they differ in several respects. Letter rulings deal with proposed transactions and are issued to taxpayers at their request. In contrast, TAMs deal with completed transactions. Furthermore, TAMs arise from questions raised by IRS personnel during audits and are issued by the National Office of the IRS to its field personnel. TAMs are often requested for questions relating to exempt organizations and employee plans. TAMs are not officially published and may not be cited or used as precedent.

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. Distinguish between the jurisdiction of the U.S. Tax Court and a U.S. District Court.

The U.S. Tax Court hears only tax cases and is the most popular tax forum. The U.S. District Court hears a wide variety of nontax cases, including drug crimes and other Federal violations, as well as tax cases. Some Tax Court justices have been appointed from IRS or Treasury Department positions. For these reasons, some people suggest that the U.S. Tax Court has more expertise in tax matters.

86. How do treaties fit within tax sources?

The U.S. signs certain tax treaties (sometimes called tax conventions) with foreign countries to render mutual assistance in tax enforcement and to avoid double taxation. Tax legislation enacted in 1988 provided that neither a tax law nor a tax treaty takes general precedence. Thus, when there is a direct conflict with the Code and a treaty, the most recent item will take precedence. A taxpayer must disclose on the tax return any position where a treaty overrides a tax law. There is a \$1,000 penalty per failure to disclose for individuals and a \$10,000 per failure penalty for corporations.