

## CHAPTER 2--WORKING WITH THE TAX LAW

Student: \_\_\_\_\_

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True False
2. A tax professional need not worry about the relative weight of authority within the various tax law sources.  
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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.  
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17. Determination letters usually involve finalized transactions.  
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18. Technical Advice Memoranda deal with completed transactions.  
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19. Technical Advice Memoranda may *not* be cited as precedents by taxpayers.  
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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.  
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21. In a U.S. District Court, a jury can decide both questions of fact and questions of law.  
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22. Three judges will normally hear each U.S. Tax Court case.  
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36. The *Index to Federal Tax Articles* (published by Warren, Gorham, and Lamont) is available in print and electronic formats.
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46. The Internal Revenue Code was first codified in what year?
- A. 1913.
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- A. Income taxes.
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  - D. Carries more legal force than a Revenue Ruling.
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- A. Give equal weight to the Code and the Regulations.
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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.
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  - E. All of the above.
72. Which tax-related website probably gives the best policy-orientation results?
- A. [taxalmanac.org](http://taxalmanac.org).
  - B. [irs.gov](http://irs.gov).
  - C. [taxsites.com](http://taxsites.com).
  - D. [taxanalyst.com](http://taxanalyst.com).
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73. Which court decision would probably carry more weight?
- A. Regular U.S. Tax Court decision.
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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.
  - E. None of the above are incorrect.
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.