

## COMPREHENSIVE TEST BANK

### Overview of Tax Research Questions:

#### *Short Answers*

1. Define and give an example of the meaning of *tax planning*.
2. Define a *fact*.
3. Define and discuss the significance of a *conclusion*.
4. Define and discuss the significance of a *relevant fact*.
5. Define and give an example of a *primary source*.
6. Define and give an example of a *secondary source*.
7. Define and discuss the significance of a *time budget*.
8. What is the purpose of tax research?
9. Describe the four basic steps in the tax research process.
10. Why is it so important to determine the research question and, while being flexible to refining the question, remain focused on it throughout your research process?
11. Why is it important to determine whether you have been asked to act in a planning role when gathering facts and determining the research question?
12. What is the difference between a fact and a conclusion? Why is it important to recognize the difference?
13. Does the research question stay the same throughout the research process? Why or why not?
14. What is the danger of framing the research question too narrowly?
15. Describe the role of the tax researcher. When does tax research need to be performed? What does the taxpayer usually expect you to do as their tax advisor?
16. What methods are available to gather relevant facts? Why is it important to be aware of all the facts? What are some of the challenges presented in gathering facts?
17. What are the two sources of primary authority that provide interpretations of the Internal Revenue Code?
18. How are reference services useful?
19. What is the difference between primary and secondary sources? How can you distinguish between the two?
20. During which steps must you use skills of critical thinking? For each step where critical thinking is essential, discuss why.
21. Discuss the variety of forms you may use in communicating the results of your research.

22. Is it accurate to say that there is only one correct answer to every tax research question? Discuss the reasoning for your response. In what ways does your answer affect how the tax research process is conducted?
23. When might the tax researcher take on the role of tax advocate?
24. How can you determine when you are involved in tax planning? What is your role as a tax planner? How does this differ from tax research in which no planning is requested? Why is it important to recognize the difference?
25. What standards must you abide by when signing a return or recommending a tax return position to a taxpayer? What must you do to satisfy this standard?
26. What practical considerations does the tax researcher need to be aware of when performing tax research?
27. What purpose do client files serve? What information should be included in a client file?

### ***True /False***

28. Researching for a planning situation always requires more time and effort than researching a situation where all the facts are already established.
29. The research process is always the same regardless of the research question.
30. Research conclusions may only be based upon primary authority.
31. If there is not primary authority on a research question, the researcher can feel comfortable relying on supporting narrative found in a treatise.
32. Reference services should always be consulted before making a research conclusion.
33. A knowledgeable and well-trained researcher should always be able to locate a specific answer to a tax question.
34. Circular 230 provides a comfortable litmus test to help practitioners determine what type of research conclusions and client recommendations are proper.
35. The researcher should never sign a return when there is not substantial authority supporting a return position.

### ***Multiple Choice***

36. The most important step in the research process is:
  - a. Gathering the facts
  - b. Locating relevant authority
  - c. Drawing a conclusion
  - d. All of the above
37. A research project involves tax planning when:
  - a. All the facts are fixed and cannot be changed
  - b. Only some of the facts are fixed
  - c. None of the facts are fixed
  - d. Both b and c
38. Which one of the following is a primary source of authority?
  - a. Treasury Regulation
  - b. United States Tax Reporter
  - c. BNA Tax Portfolio
  - d. An expert's opinion expressed in a prestigious text

## INTERNAL REVENUE CODE QUESTIONS

### Short Answers

1. Define and discuss *legislative Committee Reports*.
2. Define and discuss the *Joint Committee on Taxation*.
3. Define and discuss the *Blue Book*.
4. What is the *USC*?
5. What is *Title 26*?
6. What is *flush language*?
7. Define and discuss *sunset provisions*.
8. Define and discuss *terms of art*.
9. What is the significance of IRC §7701?
10. Define and discuss *limiting language*.
11. What is a transition provision in the IRC?
12. Explain the role of the following committees in the tax legislative process: House Ways and Means, Senate Finance, Conference Committee.
13. What resources are generated by the legislative process? In what way are resources useful?
14. How can you become informed regarding current Congressional activity in tax legislation?
15. Where can you find Committee Reports of new legislation? How do you find Committee Reports reflective of prior older legislation?
16. Discuss how the Internal Revenue Code is organized. Why is it important to understand its organization?
17. Give examples of three methods of citing the Internal Revenue Code.
18. Name three ways to identify which part of the Internal Revenue Code is relevant in a research project.
19. When can historical notes to a Code Section be helpful?
20. Name all the different sources for reading the Internal Revenue Code. What are the major advantages and challenges for each different type of source?
21. Locate IRC Section 165 and answer the following. IRC Section 165 is part of which:
  - a. Title
  - b. Subtitle
  - c. Chapter
  - d. Subchapter
22. Locate IRC Section 162 and answer the following:
  - a. What Subsections does it include?
  - b. What Paragraphs are included in subsection (m)?
  - c. What Subparagraphs are included in IRC Section 162(m)(4)?
23. Correctly cite the highlighted sentence in the following excerpt of the IRC.

#### **Section 83 - Property Transferred in Connection with the Performance of Services**

##### **(a) General rule**

If, in connection with the performance of services, property is transferred to any person other than the person for whom such services are performed, the excess of -

(1) the fair market value of such property (determined without regard to any restriction

other than a restriction which by its terms will never lapse) at the first time the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, over

- (2) the amount (if any) paid for such property, shall be included in the gross income of the person who performed such services in the first taxable year in which the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever is applicable. The preceding sentence shall not apply if such person sells or otherwise disposes of such property in an arm's length transaction before his rights in such property become transferable or not subject to a substantial risk of forfeiture.

(b) Election to include in gross income in year of transfer

**(1) In general**

**Any person who performs services in connection with which property is transferred to any person may elect to include in his gross income for the taxable year in which such property is transferred, the excess of -**

- (A) the fair market value of such property at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse), over

***True/False***

24. Under the provisions of the United States Constitution, all major revenue bills must originate in the United States House of Representatives.
25. The appropriate way to cite the current Internal Revenue Code is "Internal Revenue Code of 1954 as amended."
26. The appropriate way to cite the current Internal Revenue Code is "Internal Revenue Code of 1986 as amended."
27. The Internal Revenue Code is the primary source of authority in tax research.
28. The tax researcher must always ultimately base a research conclusion on the Internal Revenue Code's application.
29. The Internal Revenue Code is Title 25 of the United States Code.
30. The Internal Revenue Code is Title 26 of the United States Code.
31. The *Blue Book* may provide helpful information, but it is not primary authority that can be used in making a research conclusion.
32. The explanation written by the Joint Committee on Taxation is not primary authority on which the researcher can rely.
33. Only the Conference Committee reports are authoritative.
34. The *Blue Book* may provide helpful information, but it is not authority that can be relied upon in making a research conclusion.

***Multiple Choice***

35. The Internal Revenue Code is written by:
  - a. The President
  - b. The House of Representatives
  - c. Congress
  - d. The Internal Revenue Service
  - e. The Secretary of Treasury

36. When researching legislative history, the first committee report to locate and read is:
  - a. Conference Committee
  - b. Ways and Means Committee
  - c. Senate Finance Committee
37. Committee Reports can be found in the following source:
  - a. Internal Revenue Bulletin
  - b. Cumulative Bulletin
  - c. Tax publisher releases of the reports
  - d. All of the above
38. Which of the following types of information do the historical amendments to the Code never provide?
  - a. Key transition rules
  - b. Text of committee reports
  - c. Text of prior law language
  - d. Number of Public Law amending the section
39. “For purposes of...” represents what type of language?
  - a. Term of art
  - b. Flush language
  - c. Limiting language
  - d. Sunset provision
40. Which one of the following best describes a “sunset provision”?
  - a. A provision that indicates that Congress will update the language periodically
  - b. A provision indicating that the specified numbers will be adjusted for inflation
  - c. A termination provision

**SAMPLE**

## Test Problem Answers

### Overview of Tax Research Questions

**Short Answer**- contained in the pertinent provisions in text answer guide

#### **True/False**

1. F
2. F
3. T
4. F
5. F
6. F
7. F
8. F

#### **Multiple Choice**

9. D
10. D
11. A

### INTERNAL REVENUE CODE QUESTIONS

#### **Short Answer**

21.
  - a. 26
  - b. A
  - c. 1
  - d. B
22.
  - a. a-p
  - b. 1-4
  - c. A-F
23. IRC Section 83(b)(1)

#### **True/False**

24. T
25. F
26. T
27. T
28. T
29. F
30. T
31. F
32. F
33. F
34. F

**Multiple Choice**

- 35. C
- 36. A
- 37. D
- 38. B
- 39. C
- 40. C

**TREASURY INTERPRETATIONS QUESTIONS**

**Short Answer**- contained in the pertinent provisions in text answer guide

- 38. Rev. Rul. 98-12, 1998-1 CB 70  
Rev. Proc. 99-5, IRB 1999-5,10
- 39. Rev. Rul. 99-1, IRB 1999-2 , 25 or Rev. Rul. 99-1, 1999-2 IRB 25

**True/False**

- 40. F
- 41. F
- 42. T
- 43. T
- 44. T
- 45. F
- 46. F
- 47. F
- 48. T
- 49. F
- 50. T
- 51. T
- 52. F
- 53. F
- 54. T
- 55. F
- 56. T
- 57. F
- 58. F
- 59. F

**Multiple Choice**

- 60. D
- 61. E
- 62. C
- 63. A
- 64. C

65. B

66. A

67. D

### **JUDICIAL INTERPRETATION QUESTIONS**

**Short Answer-** contained in the pertinent provisions in text answer guide

37. Case name, volume, Tax Court Reports, 1<sup>st</sup> page of case, date

38. Case name, volume, Tax Court Memo (CCH), 1<sup>st</sup> page of case, date

39. Case name, Tax Court Memo reporter from RIA, Decision number (paragraph)

40. Case name, year of decision -volume for that year, United States Tax Cases (CCH), paragraph number of case, 5<sup>th</sup> Circuit Court of Appeals, date

41. Case name, volume, American Federal Tax Reports Second series, year-1<sup>st</sup> pg of case, 1<sup>st</sup> Circuit Court of Appeals, date

### **True/false**

42. F

43. F

44. T

45. T

46. F

47. F

48. T

49. T

50. F

51. T

52. F

53. F

54. T

55. F

56. T

57. F

58. T

59. T

60. F

61. F

62. F

63. F

64. F

65. T

66. F

### **Multiple Choice**

67. E



- 68. D
- 69. D

## SECONDARY SOURCE QUESTIONS

**Short answer-** contained in the pertinent provisions in text answer guide

### True/False

- 32. F
- 33. F
- 34. T
- 35. T
- 36. T
- 37. F
- 38. F
- 39. F
- 40. T
- 41. T
- 42. F
- 43. T

### Multiple Choice

- 44. A
- 45. C
- 46. A
- 47. D
- 48. A
- 49. D
- 50. B
- 51. E
- 52. E
- 53. B

## COMPLETION OF RESEARCH QUESTIONS

**Short Answer** – contained in the pertinent provisions in text answer guide

### True/False

- 28. F
- 29. F
- 30. T
- 31. F

### Multiple Choice

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- 32. A
- 33. E
- 34. C
- 35. A
- 36. C

### **COMMUNICATING RESEARCH RESULTS QUESTIONS**

**Short Answer**- contained in the pertinent provisions in text answer guide

#### **Multiple Choice**

- 15. D
- 16. B
- 17. A
- 18. C
- 19. E
- 20. A

### **OVERVIEW OF TAX PRACTICE AND PROCEDURE**

**Short Answer**- contained in the pertinent provisions in text answer guide

#### **True/False**

- 64. F
- 65. T
- 66. F
- 67. F
- 68. T
- 69. F
- 70. T
- 71. T
- 72. T
- 73. T
- 74. T
- 75. F
- 76. T
- 77. F
- 78. T
- 79. F
- 80. F
- 81. T
- 82. F

#### **Multiple Choice**

- 83. C
- 84. D

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- 85. C
- 86. C
- 87. D
- 88. A
- 89. A
- 90. D
- 91. D
- 92. C

**STATE RESEARCH QUESTIONS-** contained in the pertinent provisions in text answer guide

**SAMPLE**

Test Bank Answers