

**Test Bank for South Western Federal Taxation 2014
Individual Income Taxes 37th Edition Hoffman Smith
1285424417 9781285424415**

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Solution Manual

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CHAPTER 2--WORKING WITH THE TAX LAW

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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.
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4. A taxpayer should always minimize his or her tax liability.
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6. The Code section citation is incorrect: § 212(1).
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7. Subchapter D refers to the "Corporate Distributions and Adjustments" section of the Internal Revenue Code.
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11. A Revenue Ruling is a judicial source of Federal tax law.
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15. A letter ruling applies only to the taxpayer who asks for and obtains a letter ruling.
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16. The IRS is not required to make a letter ruling public.
True False
17. Determination letters usually involve finalized transactions.
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18. Technical Advice Memoranda deal with completed transactions.
True False
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.
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.
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23. A taxpayer can obtain a jury trial in the U.S. Tax Court.
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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.
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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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40. The test for whether a child qualifies for dependency status is first conducted under the qualified child requirement.
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- True False
45. The Regulation section of the CPA exam is 60% Taxation and 40% Law & Professional Responsibilities.
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46. The Internal Revenue Code was first codified in what year?
- 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.
 - D. Subparagraph designation.
 - E. None of the above.
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.
 - E. All of above are correct cites.

52. Which of the following is not an administrative source of tax law?
- 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.
 - D. Give less weight to the Code rather than to a Regulation.
 - E. None of the above.
57. 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.

58. 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.
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.
61. A taxpayer who loses in a U.S. District Court may appeal directly to the:
- A. U.S. Supreme Court.
 - B. U.S. Tax Court.
 - C. U.S. Court of Federal Claims.
 - D. U.S. Circuit Court of Appeals.
 - E. All of the above.
62. If a taxpayer decides not to pay a tax deficiency, he or she must go to which court?
- A. Appropriate U.S. Circuit Court of Appeals.
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 - C. U.S. Tax Court.
 - D. U.S. Court of Federal Claims.
 - E. None of the above.
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.
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 - E. None of the above.

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.
 - B. U.S. Tax Court.
 - C. U.S. Court of Federal Claims.
 - D. Small Case Division of the U.S. Tax Court.
 - 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?
- A. Standard Federal Tax Reporter.
 - B. Federal Taxes.
 - C. United States Tax Reporter.
 - D. Tax Management Portfolios.
 - E. All of the above are major tax services.
68. Which publisher offers the United States Tax Reporter?
- A. Research Institute of America.
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 - C. LexisNexis.
 - D. Tax Analysts.
 - E. None of the above.
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.
 - C. U.S. District Court decision.
 - D. Memorandum Tax Court decision.
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74. Which Regulations have the force and effect of law?
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- A. Notice 89-99, 1989-2 C.B. 422.
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 - E. All of the above are primary sources.
79. Which statement is incorrect with respect to taxation on the CPA exam?
- A. The CPA exam now has only four parts.
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 - 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?

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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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 - 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?

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.