

## Chapter 02: Working with the Tax Law

1. Rules of tax law do *not* include Revenue Rulings and Revenue Procedures.

- a. True
- b. False

**ANSWER:** False

**RATIONALE:** Rules of tax law do include Treasury Department pronouncements.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Comprehension

**OTHER:** Time: 1 min.

2. A tax professional need not worry about the relative weight of authority within the various tax law sources.

- a. True
- b. False

**ANSWER:** False

**RATIONALE:** The relative weight of authority is critical

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPROG: Technology: Technology: - BUSPROG: Technology

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

3. In recent years, Congress has been relatively successful in simplifying the *Internal Revenue Code*.

- a. True
- b. False

**ANSWER:** False

**RATIONALE:** Each year the Code becomes more and more complex.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPROG: Technology: Technology: - BUSPROG: Technology

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

4. A taxpayer should always minimize his or her tax liability.

- a. True
- b. False

**ANSWER:** False

**RATIONALE:** A taxpayer should maximize the after-tax return in conjunction with the overall economic

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effect.

**POINTS:**

1

**DIFFICULTY:**

Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPROG: Technology: Technology: - BUSPROG: Technology

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Comprehension

**OTHER:** Time: 1 min.

5. The first codification of the tax law occurred in 1954.

a. True

b. False

**ANSWER:** False

**RATIONALE:** The first codification of the tax law occurred in 1939.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPROG: Technology: Technology: - BUSPROG: Technology

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

6. The Code section citation is incorrect: § 212(1).

a. True

b. False

**ANSWER:** False

**RATIONALE:** Some Code sections omit the subsection and use paragraph designation as the first subpart as does § 212.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPROG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

7. Subchapter D refers to the “Corporate Distributions and Adjustments” section of the *Internal Revenue Code*.

a. True

b. False

**ANSWER:** False

**RATIONALE:** The correct subchapter for “Corporate Distributions and Adjustments” is Subchapter C.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

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**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

8. Regulations are generally issued immediately after a statute is enacted.

a. True

b. False

**ANSWER:** False

**RATIONALE:** The reverse is true. Regulations require time to be issued and may never be issued on a particular statutory change in a Code section.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

9. Temporary Regulations are only published in the *Internal Revenue Bulletin*.

a. True

b. False

**ANSWER:** False

**RATIONALE:** They are published in the *Federal Register* and the *Internal Revenue Bulletin*.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

10. Revenue Rulings issued by the National Office of the IRS carry the same legal force and effect as Regulations.

a. True

b. False

**ANSWER:** False

**RATIONALE:** They do not contain the same legal force as Regulations. That is, the legal force is less.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

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**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

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11. A Revenue Ruling is a judicial source of Federal tax law.

- a. True
- b. False

**ANSWER:** False

**RATIONALE:** A Revenue Ruling is an administrative source.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

12. The following citation can be a correct citation: Rev. Rul. 95-271,1995-64 I.R.B. 18.

- a. True
- b. False

**ANSWER:** False

**RATIONALE:** The citation given refers to the Bulletin issued in the 64th week of 1995. Because a year contains only 52 weeks, the citation *cannot* be correct.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Comprehension

**OTHER:** Time: 1 min.

13. Revenue Procedures deal with the internal management practices and procedures of the IRS.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

14. Post-1984 letter rulings may be substantial authority for purposes of the accuracy-related penalty in § 6662.

- a. True
- b. False

**ANSWER:** True

**POINTS:** 1

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**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

15. A letter ruling applies only to the taxpayer who asks for and obtains a letter ruling.
- a. True
  - b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

16. The IRS is *not* required to make a letter ruling public.
- a. True
  - b. False

**ANSWER:** False  
**RATIONALE:** The law now requires the IRS to make letter rulings available for public inspection after identifying details are deleted.  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

17. Determination letters usually involve finalized transactions.
- a. True
  - b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

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18. Technical Advice Memoranda deal with completed transactions.

- a. True
- b. False

**ANSWER:** True  
**RATIONALE:** TAMs deal with completed transactions.  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

19. Technical Advice Memoranda may *not* be cited as precedents by taxpayers.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

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.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Comprehension  
**OTHER:** Time: 1 min.

21. In a U.S. District Court, a jury can decide both questions of fact and questions of law.

- a. True
- b. False

**ANSWER:** False  
**RATIONALE:** Questions of law are resolved by the presiding judge.  
**POINTS:** 1

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**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

22. Three judges will normally hear each U.S. Tax Court case.
- True
  - False

**ANSWER:** False  
**RATIONALE:** Most Tax Court cases are heard and decided by only one judge. Only when more important or novel tax issues are involved will the entire court decide the case.  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

23. A taxpayer can obtain a jury trial in the U.S. Tax Court.
- True
  - False

**ANSWER:** False  
**RATIONALE:** A jury trial is available only in a U.S. District Court.  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

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.
- True
  - False

**ANSWER:** True  
**RATIONALE:** The tax deficiency *must* be paid before suit can be instituted in either the U.S. District Court or the U.S. Court of Federal Claims.  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

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**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

25. Arizona is in the jurisdiction of the Eighth Circuit Court of Appeals.

- a. True
- b. False

**ANSWER:** False  
**RATIONALE:** Arizona is in the jurisdiction of the Ninth Circuit.  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

26. Texas is in the jurisdiction of the Second Circuit Court of Appeals.

- a. True
- b. False

**ANSWER:** False  
**RATIONALE:** Texas is in the jurisdiction of the Fifth Circuit.  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

27. The *Golsen* rule has been overturned by the U.S. Supreme Court.

- a. True
- b. False

**ANSWER:** False  
**RATIONALE:** The *Golsen* rule is followed by the U.S. Tax Court.  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

28. The granting of a Writ of Certiorari indicates that at least four members of the Supreme Court believe that an issue is



## Chapter 02: Working with the Tax Law

of sufficient importance to be heard by the full court.

- a. True
- b. False

**ANSWER:** True

**RATIONALE:** The granting of the Writ 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.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Comprehension

**OTHER:** Time: 1 min.

29. The “petitioner” refers to the party against whom a suit is brought.

- a. True
- b. False

**ANSWER:** False

**RATIONALE:** The “defendant” is the party against whom a suit is brought.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

30. The term “petitioner” is a synonym for “defendant.”

- a. True
- b. False

**ANSWER:** False

**RATIONALE:** The term “petitioner” is a synonym for “plaintiff.”

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

31. The U.S. Tax Court meets most often in Washington, D.C.

- a. True
- b. False

**ANSWER:** False

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**RATIONALE:** Tax Court judges travel to various cities.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

32. There are 11 geographic U.S. Circuit Court of Appeals.

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

33. The following citation is correct: *Larry G. Mitchell*, 131 T.C. 215 (2008).

a. True

b. False

**ANSWER:** True

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 1 min.

34. The IRS issues an acquiescence or nonacquiescence only for regular Tax Court decisions.

a. True

b. False

**ANSWER:** False

**RATIONALE:** After 1990, the IRS issues its acquiescence program for other civil tax cases.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

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*OTHER:* Time: 1 min.

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.

- a. True
- b. False

*ANSWER:* False

*RATIONALE:* The most recent item takes precedence.

*POINTS:* 1

*DIFFICULTY:* Easy

*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-01 - LO: 2-01

*NATIONAL STANDARDS:* United States - BUSPORG: Analytic

*STATE STANDARDS:* United States - AK - AICPA: FN-Research

*KEYWORDS:* Bloom's: Knowledge

*OTHER:* Time: 1 min.

36. The *Index to Federal Tax Articles* (published by Warren, Gorham, and Lamont) is available in print and electronic formats.

- a. True
- b. False

*ANSWER:* False

*RATIONALE:* It is available only in print form.

*POINTS:* 1

*DIFFICULTY:* Easy

*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-01 - LO: 2-01

*NATIONAL STANDARDS:* United States - BUSPORG: Analytic

*STATE STANDARDS:* United States - AK - AICPA: FN-Research

*KEYWORDS:* Bloom's: Knowledge

*OTHER:* Time: 1 min.

37. A U.S. District Court is the lowest trial court.

- a. True
- b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Easy

*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-01 - LO: 2-01

*NATIONAL STANDARDS:* United States - BUSPORG: Analytic

*STATE STANDARDS:* United States - AK - AICPA: FN-Research

*KEYWORDS:* Bloom's: Knowledge

*OTHER:* Time: 1 min.

38. The research process should always begin with a tax service.

- a. True
- b. False

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**ANSWER:** False  
**RATIONALE:** If the research is simple, a researcher may start with the Code or Regulations.  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-03 - LO: 2-03  
**NATIONAL STANDARDS:** United States - BUBUSPROG: Analytic - BUSPROG: Analytic  
United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Leverage Technology  
United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

39. Electronic databases are most frequently searched by the keyword approach.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 1 min.

40. The test for whether a child qualifies for dependency status is first conducted under the qualified child requirement.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Comprehension  
**OTHER:** Time: 1 min.

41. A Bluebook opinion is substantial authority for purposes of the accuracy related penalty.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-03 - LO: 2-03  
**NATIONAL STANDARDS:** United States - BUBUSPROG: Analytic - BUSPROG: Analytic

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United States - BUSPORG: Analytic  
*STATE STANDARDS:* United States - AK - AICPA: FN-Leverage Technology  
United States - AK - AICPA: FN-Research  
*KEYWORDS:* Bloom's: Knowledge  
*OTHER:* Time: 1 min.

42. The primary purpose of effective tax planning is to reduce or defer the tax in the current tax year.
- True
  - False

*ANSWER:* False  
*RATIONALE:* This is a secondary tax objective.  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-01 - LO: 2-01  
*NATIONAL STANDARDS:* United States - BUSPORG: Analytic  
*STATE STANDARDS:* United States - AK - AICPA: FN-Research  
*KEYWORDS:* Bloom's: Knowledge  
*OTHER:* Time: 1 min.

43. Deferring income to a subsequent year is considered to be tax avoidance.
- True
  - False

*ANSWER:* True  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-01 - LO: 2-01  
*NATIONAL STANDARDS:* United States - BUSPORG: Analytic  
*STATE STANDARDS:* United States - AK - AICPA: FN-Research  
*KEYWORDS:* Bloom's: Knowledge  
*OTHER:* Time: 1 min.

44. Tax planning usually involves a completed transaction.
- True
  - False

*ANSWER:* False  
*RATIONALE:* Tax planning usually involves a proposed transaction.  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-01 - LO: 2-01  
*NATIONAL STANDARDS:* United States - BUSPORG: Analytic  
*STATE STANDARDS:* United States - AK - AICPA: FN-Research  
*KEYWORDS:* Bloom's: Comprehension  
*OTHER:* Time: 1 min.

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45. The Regulation section of the CPA exam is approximately 60% Taxation and 40% Law & Professional Responsibilities.

- a. True
- b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Easy

*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-01 - LO: 2-01

*NATIONAL STANDARDS:* United States - BUSPORG: Analytic

*STATE STANDARDS:* United States - AK - AICPA: FN-Research

*KEYWORDS:* Bloom's: Knowledge

*OTHER:* Time: 1 min.

46. The Internal Revenue Code was first codified in what year?

- a. 1913
- b. 1923
- c. 1939
- d. 1954
- e. 1986

*ANSWER:* c

*POINTS:* 1

*DIFFICULTY:* Easy

*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-01 - LO: 2-01

*NATIONAL STANDARDS:* United States - BUSPORG: Analytic

*STATE STANDARDS:* United States - AK - AICPA: FN-Research

*KEYWORDS:* Bloom's: Knowledge

*OTHER:* Time: 2 min.

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 these

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Easy

*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-01 - LO: 2-01

*NATIONAL STANDARDS:* United States - BUSPORG: Analytic

*STATE STANDARDS:* United States - AK - AICPA: FN-Research

*KEYWORDS:* Bloom's: Knowledge

*OTHER:* Time: 2 min.

48. Federal tax legislation generally originates in what body?

## Chapter 02: Working with the Tax Law

- a. Internal Revenue Service
- b. Senate Finance Committee
- c. House Ways and Means Committee
- d. Senate Floor
- e. None of these

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 2 min.

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 these

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 2 min.

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 these.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 2 min.

## Chapter 02: Working with the Tax Law

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 these are correct cites.

ANSWER: e

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: IITX.SWFT.LO: 2-01 - LO: 2-01

NATIONAL STANDARDS: United States - BUSPORG: Analytic

STATE STANDARDS: United States - AK - AICPA: FN-Research

KEYWORDS: Bloom's: Knowledge

OTHER: Time: 2 min.

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 these are administrative sources.

ANSWER: e

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: IITX.SWFT.LO: 2-01 - LO: 2-01

NATIONAL STANDARDS: United States - BUSPORG: Analytic

STATE STANDARDS: United States - AK - AICPA: FN-Research

KEYWORDS: Bloom's: Comprehension

OTHER: Time: 2 min.

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 these

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: IITX.SWFT.LO: 2-01 - LO: 2-01

NATIONAL STANDARDS: United States - BUSPORG: Analytic

STATE STANDARDS: United States - AK - AICPA: FN-Research

United States - AK - AICPA: FN-Risk Analysis

KEYWORDS: Bloom's: Knowledge



## Chapter 02: Working with the Tax Law

**OTHER:** Time: 2 min.

54. Which of the following types of Regulations has the *highest* tax validity?

- a. Temporary
- b. Legislative
- c. Interpretive
- d. Procedural
- e. None of these

**ANSWER:** b

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Comprehension

**OTHER:** Time: 2 min.

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 these statements are true.

**ANSWER:** a

**RATIONALE:** Treasury Regulations are issued by the U.S. Treasury Department.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 2 min.

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 these.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

## Chapter 02: Working with the Tax Law

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Comprehension

**OTHER:** Time: 2 min.

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 these

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Comprehension

**OTHER:** Time: 2 min.

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 these statements are true.

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Comprehension

**OTHER:** Time: 2 min.

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 these

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Moderate

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

## Chapter 02: Working with the Tax Law

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 2 min.

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 these

**ANSWER:** a

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Knowledge

**OTHER:** Time: 2 min.

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 these.

**ANSWER:** d

**RATIONALE:** Appeals from a U.S. District Court go to the taxpayer's home circuit of the U.S. Circuit Court of Appeals.

**POINTS:** 1

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Comprehension

**OTHER:** Time: 2 min.

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
- b. U.S. District Court
- c. U.S. Tax Court
- d. U.S. Court of Federal Claims
- e. None of these

**ANSWER:** c

## Chapter 02: Working with the Tax Law

**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Comprehension  
**OTHER:** Time: 2 min.

63. A jury trial is available in the following trial court:

- a. U.S. Tax Court.
- b. U.S. Court of Federal Claims.
- c. U.S. District Court.
- d. U.S. Circuit Court of Appeals.
- e. None of these.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 2 min.

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 these.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Comprehension  
**OTHER:** Time: 2 min.

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 these.

## Chapter 02: Working with the Tax Law

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-03 - LO: 2-03  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 2 min.

66. Which publisher offers the *Standard Federal Tax Reporter*?

- a. Research Institute of America
- b. Commerce Clearing House
- c. Thomson Reuters
- d. LexisNexis
- e. None of these

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-03 - LO: 2-03  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 2 min.

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 these are major tax services

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-03 - LO: 2-03  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 2 min.

68. Which publisher offers the *United States Tax Reporter*?

- a. Research Institute of America
- b. Commerce Clearing House
- c. LexisNexis
- d. Tax Analysts

## Chapter 02: Working with the Tax Law

e. None of these

*ANSWER:* a  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-03 - LO: 2-03  
*NATIONAL STANDARDS:* United States - BUSPORG: Analytic  
*STATE STANDARDS:* United States - AK - AICPA: FN-Research  
*KEYWORDS:* Bloom's: Knowledge  
*OTHER:* Time: 2 min.

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

*ANSWER:* b  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-03 - LO: 2-03  
*NATIONAL STANDARDS:* United States - BUSPORG: Analytic  
*STATE STANDARDS:* United States - AK - AICPA: FN-Research  
*KEYWORDS:* Bloom's: Comprehension  
*OTHER:* Time: 2 min.

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 these.

*ANSWER:* e  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-03 - LO: 2-03  
*NATIONAL STANDARDS:* United States - BUSPORG: Analytic  
*STATE STANDARDS:* United States - AK - AICPA: FN-Research  
*KEYWORDS:* Bloom's: Knowledge  
*OTHER:* Time: 2 min.

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.

## Chapter 02: Working with the Tax Law

- d. Follow-up.
- e. All of these.

**ANSWER:** e  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-04 - LO: 2-04  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Comprehension  
**OTHER:** Time: 2 min.

72. Which tax-related website probably gives the best policy-orientation results?
- a. taxalmanac.org.
  - b. irs.gov.
  - c. taxsites.com.
  - d. taxanalysts.com.
  - e. ustaxcourt.gov.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-03 - LO: 2-03  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Comprehension  
**OTHER:** Time: 2 min.

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. Tax Court Memorandum decision
  - e. U.S. Court of Federal Claims

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-04 - LO: 2-04  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Comprehension  
**OTHER:** Time: 2 min.

74. Which Regulations have the force and effect of law?
- a. Procedural Regulations
  - b. Finalized Regulations

## Chapter 02: Working with the Tax Law

- c. Legislative Regulations
- d. Interpretive Regulations
- e. All of these

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-04 - LO: 2-04  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Comprehension  
**OTHER:** Time: 2 min.

75. Which items tell taxpayers the IRS's reaction to certain court decisions?
- a. Notices
  - b. Revenue Procedures
  - c. Revenue Rulings
  - d. Actions on Decisions
  - e. Legislative Regulations

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-04 - LO: 2-04  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Comprehension  
**OTHER:** Time: 2 min.

76. Which company does *not* publish citators for tax purposes?
- a. John Wiley & Sons
  - b. Commerce Clearing House
  - c. Thomson Reuters RIA
  - d. Westlaw
  - e. Shepard's

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-04 - LO: 2-04  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 2 min.

77. Which is *not* a primary source of tax law?
- a. Notice 89-99, 1989-2 C.B. 422.



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- b. *Estate of Harry Holmes v. Comm.*, 326 U.S. 480 (1946).
- c. Rev. Rul. 79-353, 1979-2 C.B. 325.
- d. Prop. Reg. § 1.752-4T(f).
- e. All of these are primary sources.

**ANSWER:** d  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-04 - LO: 2-04  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 2 min.

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 these are incorrect.

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-07 - LO: 2-07  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Measurement -  
AICPA: FN-Measurement  
**KEYWORDS:** Bloom's: Knowledge  
**OTHER:** Time: 2 min.

79. Which of the following court decisions carries more weight?
- a. Federal District Court
  - b. Second Circuit Court of Appeals
  - c. U.S. Tax Court decision
  - d. Small Cases Division of U.S. Tax Court
  - e. U.S. Court of Federal Claims

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-04 - LO: 2-04  
**NATIONAL STANDARDS:** United States - BUSPORG: Analytic  
**STATE STANDARDS:** United States - AK - AICPA: FN-Research  
**KEYWORDS:** Bloom's: Comprehension  
**OTHER:** Time: 2 min.

## Chapter 02: Working with the Tax Law

### 80. What are Treasury Department Regulations?

**ANSWER:** 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.

**POINTS:** 5

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Comprehension

**OTHER:** Time: 5 min.

### 81. Compare Revenue Rulings with Revenue Procedures.

**ANSWER:** 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.

**POINTS:** 5

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Analysis

**OTHER:** Time: 5 min.

### 82. How can Congressional Committee Reports be used by a tax researcher?

**ANSWER:** 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.

**POINTS:** 5

**DIFFICULTY:** Easy

**LEARNING OBJECTIVES:** IITX.SWFT.LO: 2-01 - LO: 2-01

**NATIONAL STANDARDS:** United States - BUSPORG: Analytic

**STATE STANDARDS:** United States - AK - AICPA: FN-Research

**KEYWORDS:** Bloom's: Comprehension

## Chapter 02: Working with the Tax Law

*OTHER:* Time: 5 min.

83. What is a Technical Advice Memorandum?

*ANSWER:* 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.

*POINTS:* 5

*DIFFICULTY:* Easy

*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-01 - LO: 2-01

*NATIONAL STANDARDS:* United States - BUSPORG: Analytic  
United States - BUSPROG: Technology: Technology: - BUSPROG: Technology

*STATE STANDARDS:* United States - AK - AICPA: FN-Leverage Technology  
United States - AK - AICPA: FN-Research

*KEYWORDS:* Bloom's: Comprehension

*OTHER:* Time: 5 min.

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

*ANSWER:* 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.

*POINTS:* 5

*DIFFICULTY:* Easy

*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-01 - LO: 2-01

*NATIONAL STANDARDS:* United States - BUSPORG: Analytic  
United States - BUSPROG: Technology: Technology: - BUSPROG: Technology

*STATE STANDARDS:* United States - AK - AICPA: FN-Research  
United States - AK - AICPA: FN-Risk Analysis

*KEYWORDS:* Bloom's: Analysis

*OTHER:* Time: 5 min.

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

*ANSWER:* 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.

*POINTS:* 5

*DIFFICULTY:* Easy

## Chapter 02: Working with the Tax Law

*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-01 - LO: 2-01

*NATIONAL STANDARDS:* United States - BUSPORG: Analytic

*STATE STANDARDS:* United States - AK - AICPA: FN-Research

*KEYWORDS:* Bloom's: Comprehension

*OTHER:* Time: 5 min.

86. How do treaties fit within tax sources?

*ANSWER:* 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.

*POINTS:* 5

*DIFFICULTY:* Easy

*LEARNING OBJECTIVES:* IITX.SWFT.LO: 2-01 - LO: 2-01

*NATIONAL STANDARDS:* United States - BUSPORG: Analytic

United States - BUSPROG: Technology: Technology: - BUSPROG: Technology

*STATE STANDARDS:* United States - AK - AICPA: FN-Research

*KEYWORDS:* Bloom's: Comprehension

*OTHER:* Time: 5 min.