**SOLUTIONS TO RESEARCH PROBLEMS**

**Research Problem 1**

Reg. § 1.6015–5(b)(1) requires that a request for innocent spouse relief be filed no later than 2 years after the IRS begins an action to collect the delinquent taxes. In a joint return situation, however, the rule could generate a hardship. What if the collection proceeding is initiated against one spouse (or ex-spouse) and the other spouse (or ex-spouse) is not aware of what the IRS has done? Should he (or she) be bound by the 2-year rule? The U.S. Tax Court concluded that such a rule would violate the spirit of the relief provided by§ 6015—to relieve the innocent spouse of the joint and several liability of a joint return. On appeal the Tax Court opinions were reversed on the premise that the IRS acted property in limiting the period in which innocent spouse relief can be applied for [see *Cathy Marie Lantz*, 132 T.C. 131 (2010) *rev’d* in 2010–1 USTC ¶50,446, 105 AFTR 2d 2010-2780, 607 F.3d 479 (CA–7, 2010) and *Denise Mannella*, 132 T.C. 196 (2010) *rev’d* in 2011–1 USTC ¶50,159, 107 AFTR 2d 2011-519, 631 F.3d 115 (CA–3, 2011)].

Because of the possible inequity that could result (and the threat by some in Congress to legislate a change), the IRS issued Notice 2011–70 (I.R.B. No. 32, 135). The Notice resolves the conflict by suspending the application of the 2-year rule until the IRS has a chance to revise Reg. § 1.6015–5(b)(1).

**Research Problem 2**

a. About 22.6 million.

b. Professional, scientific, and technical services.

c. 1.1%.

**Research Problem 3**

Before January 2, 2007, the IRS’s TEAM procedures helped expedite certain aspects of the technical advice process and eliminated some requirements that could delay or frustrate the process. Rev. Proc. 2007-2, Sec. 15.06 eliminated TEAMS.

**Research Problem 4**

The vacation may not be 100% free. Australia will pay around $2.7 million of the costs for the 300 vacations, but the trip is considered a taxable prize or award under IRC §74(a) and not a nontaxable gift. Reg. §1.74-1(a)(1) requires all amounts received as prizes and awards (unless such prizes or awards qualify as an exclusion from gross) to be included in gross income. Prizes and awards which are includible in gross income include amounts received from radio and television giveaway shows. Reg. §1.74-1(a)(2) further states that if the prize or award is not made in money but is made in goods or services, the fair market value of the goods or services is the amount to be included in income. Thus, the lucky recipients would have to pay taxes on the fair market value of the trip, not the amount actually paid for the trip by the Oprah show.

Oprah states that she is paying any taxes of the lucky fans. Under *Old Colony Trust Co.*, 279 U.S. 716 (1929), the amount of any tax liability paid by Oprah is also taxable income. See Reg. §1.61-14. If the initial tax liability is paid, another amount is taxable. Thus, an infinite amount of taxes would need to be paid by Oprah to make the vacation trip totally tax-free. The only way to make the prize tax-free is for Oprah to “gross up” the prize for any taxes due. Keep in mind there are probably state taxes to be paid. All-in-all, this tax problem should create a lot of work for the accountant Oprah chose to handle the tax problems of the 300 taxpayers.

**Research Problems 5 and 6**

These problems require that the student access various sites on the Internet. Thus, each student’s solution likely will vary from that of the others.

You should determine the skill and experience levels of the students before making the assignment, coaching them where necessary so as to broaden the scope of the exercise to the entire available electronic world.

Make certain that you encourage students to explore all parts of the Web in this process, including the key tax sites, but also information found through the home pages of newspapers, magazines, businesses, tax professionals, government agencies, political outlets, and so on. They should work with Internet resources other than the Web as well, including newsgroups and other interest-oriented lists.

Build interaction into exercises wherever possible, asking the student to send and receive e-mail in a professional and responsible manner.