

McGraw-Hill's Taxation of Individuals 2019, 10e (Spilker)
Chapter 2 Tax Compliance, the IRS, and Tax Authorities

- 1) Corporations are required to file a tax return annually regardless of their taxable income.
- 2) The tax return filing requirements for individual taxpayers only depend on the taxpayer's filing status.
- 3) If a taxpayer is due a refund, she does not have to file a tax return.
- 4) If April 15th falls on a Saturday, the due date for individual tax returns will be on Monday, April 17th.
- 5) If an individual taxpayer is unable to file a tax return by its original due date, the taxpayer can request an automatic 9-month extension to file the return.
- 6) An extension to file a tax return does not extend the due date for tax payments.
- 7) The statute of limitations for IRS assessment generally ends four years after the date a tax return is filed.
- 8) For fraudulent tax returns, the statute of limitations for IRS assessment is ten years.
- 9) The IRS DIF system checks each tax return for mathematical mistakes and errors.
- 10) Joel reported a high amount of charitable contributions as a deduction on his individual tax return relative to taxpayers with similar income levels. The information matching program is the IRS program most likely to identify Joel's tax return for audit.
- 11) Office examinations are the most common type of IRS audit.
- 12) The three basic types of IRS examinations are computer exams, office exams, and business exams.
- 13) The "30-day" letter gives the taxpayer the opportunity to request an appeals conference or agree to a proposed IRS adjustment on the taxpayer's income tax return.
- 14) The "90-day" letter gives the taxpayer the opportunity to pay a proposed IRS tax adjustment or file a petition in the U.S. District Court to contest the adjustment and hear the case.
- 15) If a taxpayer has little cash and a very technical tax case that she feels very strongly that the tax rules are "on her side," she should prefer to have her case tried in the U.S. Tax Court.

- 16) In researching a tax issue, Eric finds that the U.S. Circuit Court of Appeals for the Federal Circuit previously has ruled in favor of his tax position, whereas the 11th Circuit (Eric's circuit) previously has ruled against his tax position. If Eric is contemplating litigating his tax position with the IRS, he should prefer to have his case first tried by the U.S. Tax Court.
- 17) If a taxpayer loses a case at the Circuit Court level, he is granted an automatic appeal hearing with the Supreme Court.
- 18) Secondary authorities are official sources of the tax law with a lesser "weight" than primary authorities.
- 19) Revenue rulings and revenue procedures are examples of primary authorities.
- 20) The Internal Revenue Code and tax treaties are examples of statutory authorities.
- 21) Because the U.S. District Court hears a broader set of cases, decisions by the U.S. District Court may be considered to have more authoritative weight than the U.S. Court of Federal Claims.
- 22) Temporary Regulations have more authoritative weight than revenue rulings.
- 23) Proposed and Temporary Regulations have the same authoritative weight.
- 24) An acquiescence indicates that the IRS lost a court case and that it has decided to follow the court's ruling in the future.
- 25) The Internal Revenue Code of 1986 is the name of the current income tax code of the United States of America.
- 26) As required by the Constitution, all tax bills are supposed to originate in the House of Representatives.
- 27) The Senate Ways and Means Committee is in charge of drafting tax bills in the U.S. Senate.
- 28) Closed facts are especially conducive to tax planning.
- 29) Of the two basic types of tax services, beginning tax researchers often prefer topical tax services.
- 30) In researching a question of fact, the researcher should focus her efforts on identifying authorities with fact patterns similar to her client's facts.
- 31) Under the Statement on Standards for Tax Services, a CPA may recommend a tax return position if the position is frivolous and the position is not disclosed on the tax return.

32) In general, a CPA will satisfy his professional responsibilities under the Statement on Standards for Tax Services when recommending a tax return position if he complies with the standards imposed by the applicable tax authority.

33) Under the tax law, taxpayers may be subject to both civil and criminal penalties for underpaying their tax liability (e.g., due to fraud).

34) A taxpayer can avoid an underpayment penalty if there is substantial authority that supports her tax return position.

35) If the IRS assesses additional tax on a tax return upon audit, a taxpayer may be subject to interest and penalties on the underpayment.

36) Which of the following is not a factor that determines whether a taxpayer is required to file a tax return?

- A) Filing status.
- B) Taxpayer's gross income.
- C) Taxpayer's employment.
- D) Taxpayer's age.
- E) None of the choices are correct.

37) If Paula requests an extension to file her individual tax return, the latest she could file her return without a failure-to-file penalty is:

- A) September 15th.
- B) October 15th.
- C) August 15th.
- D) November 15th.
- E) None of the choices are correct.

38) If Lindley requests an extension to file her individual tax return, the latest she could pay her tax due without penalty is:

- A) April 15th.
- B) October 15th.
- C) August 15th.
- D) November 15th.
- E) None of the choices are correct.

39) Corporations are required to file a tax return only if their taxable income is greater than:

- A) \$0.
- B) \$1,000.
- C) \$600.
- D) \$750.
- E) None of the choices are correct. Corporations are always required to file a tax return.

40) Generally, if April 15th falls on a Saturday, individual tax returns will be due on:

- A) April 14th.
- B) April 15th.
- C) April 16th.
- D) April 17th.
- E) None of the choices are correct.

41) Dominic earned \$1,500 this year, and his employer withheld \$200 of federal income tax from his salary. Assuming that Dominic is single, 30 years old, and will have zero tax liability this year, he:

- A) is required to file a tax return.
- B) is not required to file a tax return but should file a return anyway.
- C) is required to file a tax return but should not file because he owes no tax.
- D) is not required to file a tax return and should not file a return.
- E) None of the choices are correct.

42) Greg earned \$25,500 this year and had \$1,500 of federal income taxes withheld from his salary. Assuming that Greg is single, 25 years old, and will have a total tax liability of \$1,430 (and thus will receive a \$70) refund, he:

- A) is required to file a tax return.
- B) is not required to file a tax return but should file a return anyway.
- C) is required to file a tax return but should not file because he owes no tax.
- D) is not required to file a tax return and should not file a return.
- E) None of the choices are correct.

43) Bill filed his 2018 tax return on March 15th, 2019. The statute of limitations for IRS assessment on Bill's 2018 tax return should end:

- A) March 15th, 2021.
- B) April 15th, 2021.
- C) March 15th, 2022.
- D) April 15th, 2022.
- E) None of the choices are correct.

44) Henry filed his 2018 tax return on May 15th, 2019. The statute of limitations for IRS assessment on Henry's 2018 tax return should end:

- A) May 15th, 2021.
- B) April 15th, 2021.
- C) May 15th, 2022.
- D) April 15th, 2022.
- E) None of the choices are correct.

45) Allen filed his 2018 tax return on May 15th, 2019 and underreported his gross income by 30 percent. Assuming Allen's underreporting is not due to fraud, the statute of limitations for IRS assessment on Allen's 2018 tax return should end:

- A) May 15th, 2021.
- B) April 15th, 2021.
- C) May 15th, 2022.
- D) April 15th, 2022.
- E) None of the choices are correct.

46) Andy filed a fraudulent 2018 tax return on May 1, 2019. The statute of limitations for IRS assessment on Andy's 2018 tax return should end:

- A) May 1st, 2022.
- B) April 15th, 2022.
- C) May 1st, 2025.
- D) April 15th, 2025.
- E) None of the choices are correct.

47) Martin has never filed a 2018 tax return despite earning approximately \$30,000 providing landscaping work in the community. In what tax year, will the statute of limitations expire for Martin's 2018 tax return?

- A) 2021.
- B) 2022.
- C) 2025.
- D) 2026.
- E) None of the choices are correct.

48) Which of the following is not a common method that the IRS uses to select returns for audit?

- A) DIF system.
- B) Tax Select system.
- C) Information matching.
- D) Document perfection.
- E) None of the choices are correct.

49) Leslie made a mathematical mistake in computing her tax liability. Which audit program will likely catch Leslie's mistake?

- A) DIF System.
- B) Mathematical correction.
- C) Document perfection.
- D) Information matching.
- E) None of the choices are correct.

50) Tyrone claimed a large amount of charitable contributions as a tax deduction relative to taxpayers with similar levels of income. If Tyrone's tax return is chosen for audit because of his large charitable contributions, which audit program likely identified Tyrone's tax return for audit?

- A) DIF System.
- B) Deduction Detective.
- C) Document perfection.
- D) Information matching.
- E) None of the choices are correct.

51) Ramon's tax return was randomly selected for audit. Which IRS program likely selected Ramon's return for audit?

- A) DIF System.
- B) National Research Program.
- C) Document perfection.
- D) Information matching.
- E) None of the choices are correct.

52) Which of the following audits is the most common and typically less comprehensive?

- A) Correspondence.
- B) Random.
- C) Office.
- D) Field.
- E) None of the choices are correct.

53) Which of the following audits is the least common, broadest in scope, and typically most complex?

- A) Correspondence.
- B) Targeted.
- C) Office.
- D) Field.
- E) None of the choices are correct.

54) Dan received a letter from the IRS that gave him the choice of (1) requesting a conference with an Appeals Officer or (2) agreeing to a proposed tax adjustment. Dan received the:

- A) 30-day letter.
- B) 90-day letter.
- C) Appeals letter.
- D) Tax adjustment letter.
- E) None of the choices are correct.

55) Basu received a letter from the IRS that gave him the choice of (1) paying a proposed deficiency or (2) filing a petition with the U.S. Tax Court. Basu received the:

- A) 30-day letter.
- B) 90-day letter.
- C) Appeals letter.
- D) Tax adjustment letter.
- E) None of the choices are correct.

56) Which of the following courts is the only court that provides for a jury trial?

- A) Tax Court.
- B) U.S. Court of Federal Claims.
- C) U.S. District Court.
- D) U.S. Circuit Court of Appeals.
- E) None of the choices are correct.

57) Lavonda discovered that the 5th Circuit (where Lavonda resides) has recently issued a favorable opinion with respect to an issue that she is going to litigate with the IRS. Lavonda should choose which of the following trial courts to hear her case:

- A) Tax Court only.
- B) U.S. Court of Federal Claims only.
- C) U.S. District Court only.
- D) Tax Court or the U.S. District Court.
- E) Tax Court or the U.S. Court of Federal Claims.

58) Lavonda discovered that the U.S. Circuit Court of Appeals for the Federal Circuit has recently issued a favorable opinion with respect to an issue that she is going to litigate with the IRS. Lavonda should choose which of the following trial courts to hear her case:

- A) Tax Court only.
- B) U.S. Court of Federal Claims only.
- C) U.S. District Court only.
- D) Tax Court or the U.S. District Court.
- E) Tax Court or the U.S. Court of Federal Claims.

59) Rowanda could not settle her tax dispute with the IRS at the appeals conference. If she wants to litigate the issue but does not have sufficient funds to pay the proposed tax deficiency, Rowanda should litigate in the:

- A) U.S. District Court.
- B) U.S. Circuit Court of Appeals.
- C) U.S. Court of Federal Claims.
- D) Tax Court.
- E) None of the choices are correct.

60) Which of the following is not considered a primary authority?

- A) Tax Court case.
- B) Treasury Regulation.
- C) Revenue Ruling.
- D) Tax service.
- E) None of the choices are correct.

61) Which of the following is not considered a secondary authority?

- A) Text book.
- B) Private Letter Ruling.
- C) Tax article.
- D) Tax service.
- E) None of the choices are correct.

62) Which of the following has the highest authoritative weight?

- A) Text book.
- B) Private letter ruling.
- C) Revenue ruling.
- D) Tax service.
- E) Tax article.

63) Which of the following has the highest authoritative weight?

- A) Legislative regulation.
- B) Private letter ruling.
- C) Revenue ruling.
- D) Action on decision.
- E) Revenue procedure.

64) Josephine is considering taking a 6-month rotation in Paris for her job. Which type of authority may be especially helpful in determining the tax consequences of Josephine's job in Paris?

- A) Determination letter.
- B) Private letter ruling.
- C) Tax treaty.
- D) Regulation.
- E) Revenue procedure.

65) Generally, code sections are arranged (grouped together):

- A) chronologically.
- B) by topic.
- C) randomly.
- D) by length.
- E) None of the choices are correct.

- 66) Which of the following has the lowest authoritative weight?
- A) Legislative regulation.
 - B) Private letter ruling.
 - C) Revenue ruling.
 - D) Interpretative regulation.
 - E) Revenue procedure.
- 67) Which judicial doctrine means that a court will rule consistently with its previous rulings and the rulings of higher courts with appellate jurisdiction?
- A) Judicial hierarchy.
 - B) The *Goldman* rule.
 - C) Judicial consistency.
 - D) Stare decisis.
 - E) None of the choices are correct.
- 68) The regulation with the lowest authoritative weight is the:
- A) Procedural regulation.
 - B) Interpretative regulation.
 - C) Proposed regulation.
 - D) Legislative regulation.
 - E) None of the choices are correct.
- 69) Princess, who resides in the 2nd Circuit, recently found a circuit court case that is favorable to her income tax research question. Which of the following circuits would she prefer to have issued the opinion?
- A) 2nd Circuit.
 - B) Federal Circuit.
 - C) 1st Circuit.
 - D) 2nd Circuit or the Federal Circuit.
 - E) None of the choices are correct.
- 70) Jaime recently found a "favorable" *trial level* court opinion directly on point for her tax question. Which *trial level* court would she prefer to have issued the opinion?
- A) Tax Court.
 - B) District Court.
 - C) Circuit Court.
 - D) Divorce Court.
 - E) None of the choices are correct.
- 71) Which of the following committees typically initiates tax legislation?
- A) House Ways and Means Committee.
 - B) Joint Conference Committee.
 - C) Senate Finance Committee.
 - D) Senate Tax Committee.
 - E) None of the choices are correct.

72) Edie would like to better understand a new code section enacted four weeks ago. Which of the following authorities will help Edie understand the newly enacted code section?

- A) IRS regulations.
- B) U.S. Tax Court cases.
- C) Committee reports.
- D) IRS revenue rulings.
- E) None of the choices are correct.

73) If the President vetoes tax legislation, Congress:

- A) cannot override the President's veto.
- B) can override the President's veto with a 50 percent positive vote in the House and Senate.
- C) can override the President's veto with a 2/3rd positive vote in the House and Senate.
- D) can override the President's veto with a 75 percent positive vote in the House and Senate.
- E) None of the choices are correct.

74) Jeremy has a new client. He has identified a research question that relates to a transaction that the client completed several months ago. This type of research question will primarily involve:

- A) open facts.
- B) new facts.
- C) old facts.
- D) closed facts.
- E) None of the choices are correct.

75) In a planning context,

- A) closed facts are preferred to open facts.
- B) new facts are preferred to old facts.
- C) old facts are preferred to new facts.
- D) open facts are preferred to closed facts.
- E) None of the choices are correct.

76) Which of the following types of tax services are arranged by code section?

- A) legal tax service.
- B) annotated tax service.
- C) professional tax service.
- D) topical tax service.
- E) None of the choices are correct.

77) Which of the following is not a common tool used in conducting tax research?

- A) Citator.
- B) Annotated tax service.
- C) Topical tax service.
- D) Keyword search.
- E) None of the choices are correct.

78) Which of the following is not a source of a tax practitioner's professional responsibilities?

- A) AICPA Code of Professional Conduct.
- B) Statements on Standards for Tax Services.
- C) Circular 230.
- D) State Board of Accountancy statutes.
- E) None of the choices are correct.

79) According to Statement on Standards for Tax Services No. 1, a tax practitioner can recommend a tax return position:

- A) if the position is frivolous and disclosed on the tax return.
- B) if the position complies with the standards imposed by the applicable tax authority.
- C) only if the position meets the "more likely than not" standard.
- D) only if the position meets the "clear and convincing evidence" standard.
- E) None of the choices are correct.

80) Circular 230 was issued by:

- A) AICPA.
- B) State Boards of Accountancy.
- C) American Bar Association.
- D) IRS.
- E) None of the choices are correct.

81) Which of the following is a false statement? A taxpayer filing a fraudulent tax return:

- A) is potentially subject to criminal penalties.
- B) is potentially subject to civil penalties.
- C) is potentially subject to fines and a prison sentence.
- D) will have an unlimited statute of limitations for the fraudulent tax return.
- E) None of the choices are correct.

82) For which of the following tax violations is a civil penalty not imposed on taxpayers?

- A) Failure to file a tax return.
- B) Failure to pay tax owed.
- C) Fraud.
- D) Failure to make estimated tax payments.
- E) None of the choices are correct.

83) A taxpayer can avoid a substantial understatement of tax penalty:

- A) if the position is frivolous and disclosed on the tax return.
- B) if the position has a realistic possibility of being sustained by the IRS or courts.
- C) if there is substantial authority to support the position.
- D) if the position has a reasonable basis and is not disclosed on the tax return.
- E) None of the choices are correct.

- 84) A taxpayer can avoid a substantial understatement of tax penalty:
- A) if the position is frivolous and disclosed on the tax return.
 - B) if the position has a realistic possibility of being sustained by the IRS or courts.
 - C) if the position is not frivolous and disclosed on the tax return.
 - D) if the position has a reasonable basis and is disclosed on the tax return.
 - E) None of the choices are correct.
- 85) Which types of penalties are only imposed after normal due process including a trial?
- A) Criminal penalties.
 - B) Civil penalties.
 - C) Criminal and civil penalties.
 - D) Failure-to-file penalty.
 - E) None of the choices are correct.
- 86) A tax practitioner can avoid IRS penalty relating to a tax return position:
- A) if the position is frivolous and disclosed on the tax return.
 - B) if the position has a realistic possibility of being sustained by the IRS or courts.
 - C) if there is substantial authority to support the position.
 - D) if the position has a reasonable basis and is not disclosed on the tax return.
 - E) None of the choices are correct.
- 87) A tax practitioner can avoid IRS penalty relating to a tax return position:
- A) only if the position has a more likely than not chance of being sustained by the IRS or courts.
 - B) if the position has a realistic possibility of being sustained by the IRS or courts.
 - C) if there is not substantial authority to support the position.
 - D) if the position has a reasonable basis and is disclosed on the tax return.
 - E) None of the choices are correct.
- 88) Tina has a very complex tax return and it looks like she will not be able to file her tax return by its due date. When is her tax return due? What are Tina's options for paying her tax due and filing her tax return this year? What are the consequences if Tina does not file or pay her tax timely? Be specific.
- 89) For the following taxpayers indicate whether the taxpayer should file a tax return and why.
- a. Robert earned \$50,000 this year as a staff accountant. His estimated tax liability is \$4,500, and he expects to receive a \$500 tax refund.
 - b. Amy earned \$4,000 this year working part-time. She will have no federal tax liability and has not made any federal tax payments.
 - c. Ty earned \$2,500 this summer and had \$200 of federal taxes withheld from his paycheck. He will have no federal tax liability this year.
 - d. Startup Corporation had a \$50,000 loss this year.
 - e. The Walker Family Trust earned \$500 of gross income this year.

90) For the 2018 tax returns, indicate when the statute of limitation expires and why.

- a. Phoenix filed his tax return on February 28, 2019.
- b. Jill and Randy filed their tax return on August 16, 2019.
- c. Although required to file, Catherine chose not to file a tax return this year because she was expecting a tax refund and could not pull together all the information needed to file the return.
- d. Jerry filed his tax return on May 22, 2019 but has accidentally underreported his gross income by 30%.

91) For the 2018 tax returns, indicate when the statute of limitation expires and why.

- a. Simon filed his tax return on April 10, 2019.
- b. Billy and Barbara filed their tax returns late on December 1, 2019.
- c. Pearson earns a living through various illegal activities. He filed his tax return on March 14, 2019 but did not report his illegal income on his tax return.
- d. Luther filed his tax return on July 17, 2019 but has accidentally underreported his gross income by 20%.

92) For the following tax returns, identify the method the IRS likely used to select the return for audit.

- a. Dan made a mistake in adding his income on his tax return.
- b. Juanita failed to report her salary from her 2nd job on her tax return.
- c. Michael and Venita deducted a relatively large amount of travel expenses on their tax return for their business. The travel expense is large relative to other taxpayers in similar businesses with similar levels of income.
- d. Paul and Melissa recently went through a very nasty divorce. One of the issues was Paul's less than forthright accounting of his income in determining the appropriate level of alimony.

93) For the following tax returns, identify which of the three audit types will most likely be utilized.

- a. The IRS selected Don's return for audit because of his high itemized deductions. The IRS would like documentation of these deductions.
- b. Large Public Corporation is a very large publicly traded corporation. It is involved in many complex transactions that have significant tax ramifications.
- c. George and Barbara operate a small business out of their home. The IRS has identified a couple of issues that may relate to their business.
- d. The IRS selected Bill and Hillary's tax return for review because of some of their investment sales. They would like a better understanding of the transactions and parties involved.

94) The IRS has recently completed its audit of Lorene's corporation. As a tax novice, she has very little understanding regarding the audit process and what happens next. Describe the post-audit process for Lorene and identify her options.

95) Mel recently received a 30-day letter from the IRS. Although his tax return being audited has several potential large issues (potential tax consequences of \$70,000 – \$80,000), the IRS agent auditing his return only identified one item that will require a modest adjustment of \$10,000. Mel feels strongly that the \$10,000 adjustment would not hold up in court and was surprised that the IRS agent did not identify some of the other potential larger issues. What are Mel's choices with respect to the 30-day letter and what factors should influence his decisions?

96) Kim has decided to litigate a tax issue with the IRS. Describe the trial level courts that Kim may use to litigate the case.

97) For the following taxpayers, please recommend the most advantageous trial level court(s) to litigate a tax issue with the IRS.

a. Joe is litigating a tax issue with the IRS that is considered a question of fact (i.e., the answers depends on the facts of the case). There is not a lot of authority on point for this case but Joe has a very appealing story to justify his position that is likely to be viewed sympathetically by his peers.

b. The Circuit Court of Appeals for the Federal Circuit recently issued an opinion that is very favorable to the issue that Jesse plans to litigate with the IRS.

c. The Circuit Court of Appeals for the Federal Circuit recently issued an opinion that is not favorable to the issue that Hank plans to litigate with the IRS.

d. The 7th Circuit (where Elizabeth resides) recently issued an opinion that is very favorable to the issue that Elizabeth plans to litigate with the IRS.

98) A client has recently learned of a proposed tax bill that would increase the tax rates on investment gains by 5 percent. The President does not support this increase. Please describe for your client the process by which new tax legislation is created and how the President's disapproval may influence the enactment of the bill.

99) Chris and Chuck were recently debating whether the Internal Revenue Code is "logical." Chris offers that she has briefly reviewed the Code and could hardly understand its organizational structure, if there is one. Please describe the basic organization of the code and how understanding its organization may be especially beneficial to the tax researcher.

100) Carey was researching a tax issue and located what appears to be a favorable IRS regulation. He knows that regulations serve different purposes and are issued in different forms. Which purpose and which form of regulation would provide Carey the most confidence that he has found an authority that carries a lot of weight for the long term? How could Carey check the status of this regulation?

101) Campbell was researching a tax issue and found a favorable Tax Court opinion and an IRC Code Section that appears to answer the question. Is she finished with the research process? If so, why? If not, what must she do?

102) Roddy was researching an issue and found a favorable Tax Court decision that addresses his issue. He also determined that there was a nonacquiescence for the case. Who issued the nonacquiescence? What is it? What does it mean and how would it affect Roddy's reliance on the court case?

103) Raul was researching an issue and found two Tax Court decisions issued within 6 months of each other, one for a taxpayer residing in California and the other for a taxpayer residing in New York whose rulings were inconsistent. Raul knows that the federal tax law does not differ by state and the issue was exactly the same in both cases. Raul is confused because he thought that a basic judicial doctrine was that a court is supposed to rule consistently. Name and describe this judicial doctrine that requires judicial consistency and discuss why the Tax Court may have intentionally ruled inconsistently in this example.

104) Rebecca is at a loss. A new tax law was recently passed, and she needs to get a better understanding of why the tax law was passed and the intent of the law from an official authority. Describe what authorities may be especially helpful to Rebecca and why she can't find many authorities that discuss the new law.

105) Lakeisha, a 1st year staff accountant, was researching a tax issue and found what appears to be the answer to her question in her introductory tax textbook that she bought three years ago. She is thrilled because she thought it would take much longer to find her answer. What type of authority is the textbook? What are other examples of this type of authorities? Can Lakeisha base her research conclusion on the textbook or similar authorities? Any suggestions for Lakeisha?

106) Kodak is a beginning tax researcher. He knows that the 1st step of the research process is to get an understanding of the facts surrounding the transaction being researched. Describe the two basic types of facts, the sources of facts for a research project, and any advice that may help Kodak.

107) Caitlin is a tax manager for an accounting firm, and Duff is a first year staff accountant. Describe the differences in the manner in which Caitlin and Duff may identify research issues and in general how one may identify research questions.

108) Lindy, a tax intern, is beginning her first tax research case for her employer. Her manager has given her a basic understanding of the facts and has identified the basic research question. Lindy is now ready to begin searching for relevant tax authorities. Describe the different types of research tools available to help a tax researcher locate relevant authority and identify which type may be especially useful for Lindy.

109) Hong, an introductory tax student, is beginning his first research project. He has a complete understanding of the relevant facts for his project and has identified the initial research questions. He is now ready to begin using a tax service to identify relevant authorities. What are some suggestions for him on how to use tax services to identify relevant authorities?

110) Mary Ann is working on a pretty big research project. Her manager has alerted her to the possibility that some of her research questions are likely to be questions of fact, whereas others are likely to be questions of law. Explain the difference between the two types of questions and how this would influence her research.

111) Nolene suspects that one of her new clients may be intentionally underreporting his taxable income. What are the potential ramifications to her client of this behavior? What are the consequences to Nolene if she assists the client in underreporting income? Any advice for Nolene?

112) Houston has found conflicting authorities that address a research question for one of his clients. The majority of the authorities provide a favorable answer for his client. Nonetheless, there are several authorities that provide an unfavorable answer. Houston estimates that if the client takes the more favorable position on its tax return that there is approximately a 60 percent chance that the position will be sustained upon audit or judicial proceeding. If the client takes this position on its tax return, will Houston be subject to penalty? Will the client potentially be subject to penalty?