

1. Which of the following statements describes the tax research process?
  - a. It is strictly linear.
  - b. It requires mechanical skills combined with critical thinking.
  - c. It requires the ability to use complex mathematical techniques to identify and locate tax authorities.
  - d. All of the above.

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Easy

2. All of the following are goals of tax research EXCEPT?
  - a. to balance the need for efficiency against the need for thoroughness
  - b. to balance the client's tax goals with the client's nontax, personal considerations
  - c. to find a defensible solution to a client's problem
  - d. to find a perfect solution to a client's problem, no matter how long it takes

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Easy

3. Collateral estoppel is a legal concept which:
  - a. allows relitigation on the same facts or same issues
  - b. bars relitigation on the same facts or same issues
  - c. requires that the court resolve factual issues in a taxpayer's favor
  - d. none of the above

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Moderate

4. The first step in the tax research process is to:
  - a. establish the facts
  - b. identify the issues
  - c. locate authority
  - d. evaluate authority

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Easy

5. Once the initial facts have been gathered and the issues defined, the tax researcher must:
- a. develop conclusions and recommendations
  - b. evaluate the authority
  - c. contact the IRS
  - d. locate the authority

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Easy

6. In a closed-fact problem, the main goal of tax research is to:
- a. determine several alternative courses of future action for the taxpayer
  - b. find support for an action the taxpayer has already taken
  - c. both a and b
  - d. none of the above

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Moderate

7. The final step of the tax research process is to:
- a. develop conclusions and recommendations
  - b. communicate recommendations
  - c. document conclusions and recommendations
  - d. litigate the tax-related dispute

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Easy

8. Which of the following statements is CORRECT regarding online tax research?
- a. The method of constructing queries is the same for all databases.
  - b. Most online tax services allow the use of connectors and wild cards.
  - c. If a query generates too little information, the researcher should add more unique keywords.
  - d. All of the above are correct.

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Moderate

9. Tax research issues can be divided in two main categories. These are:

- a. fact and law issues
- b. primary and secondary issues
- c. major and minor issues
- d. internal and external issues
- e. tax and nontax issues

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Moderate

10. Which of the following are basic connectors you can use to construct a search query?

- a. google
- b. not
- c. or
- d. \*
- e. only b and c

*ANSWER:* e

*POINTS:* 1

*DIFFICULTY:* Moderate

11. Which of the following represents a law issue?

- a. intent of the transaction
- b. definition of a term used in the code
- c. date of transaction
- d. location of the transaction
- e. all of the above

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Easy

12. The amount of a transaction represents a:

- a. law issue
- b. social issue
- c. fact issue
- d. political issue

*ANSWER:* c

*POINTS:* 1

*DIFFICULTY:* Easy

13. Which of the following is an example of secondary authority?

- a. tax treaties
- b. tax journals
- c. U.S. Constitution
- d. tax laws by Congress

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Moderate

14. A statutory source of Federal tax law is:

- a. various rulings of the Treasury Department and the IRS
- b. collected rulings of the various courts on Federal tax matters
- c. textbooks
- d. tax treaties

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Moderate

15. Which of the following is an administrative source of primary authority?

- a. U.S. Constitution
- b. collected rulings of the various courts on Federal tax matters
- c. revenue rulings
- d. newsletters

*ANSWER:* c

*POINTS:* 1

*DIFFICULTY:* Moderate

16. A reference source that enables the researcher to follow the judicial history of court cases is known as:

- a. a case reporter
- b. a judicial directory
- c. the Cumulative Bulletin
- d. a citator

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Moderate

17. CCH's annotated, or code-based commercial tax service is:

- a. the *United States Tax Reporter*
- b. the *Tax Coordinator 2d*
- c. the *Standard Federal Income Tax Reporter*
- d. the *Federal Tax Library*

ANSWER: c

POINTS: 1

DIFFICULTY: Moderate

18. The *Tax Management Portfolios* are published by:

- a. CCH
- b. RIA
- c. Bureau of National Affairs (BNA)
- d. LexisNexis

ANSWER: c

POINTS: 1

DIFFICULTY: Moderate

19. Once the research question has been stated, the researcher must next:

- a. gather the facts
- b. identify the keywords
- c. select a database and execute the search
- d. interpret and refine the search

ANSWER: b

POINTS: 1

DIFFICULTY: Moderate

20. Secondary sources are useful when:

- a. conflicting primary authority exists
- b. the issue is a closed-fact problem
- c. a researcher does not have access to primary sources
- d. when a researcher disagrees with the client

ANSWER: a

POINTS: 1

DIFFICULTY: Moderate

21. The IRS website can be used to perform which of the following tasks:

- a. obtain downloadable forms
- b. keyword search IRS tax publications
- c. file your tax return
- d. all of the above

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Easy

22. Which of the following statements is INCORRECT regarding the CPA exam:

- a. The National Association of State Boards of Accountancy administers the test.
- b. Each state has its own test.
- c. CPA exam candidates must pass all four sections of the exam.
- d. The Regulation section requires tax research.

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Easy

23. Which of the following forms the basis for all tax provisions?

- a. secondary authority
- b. the administrative authority of the IRS
- c. judicial interpretation of the law
- d. the statutory authority of Congress

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Moderate

24. The distinction between primary and secondary authority is important for which of the following reasons?

- a. to meet the accuracy threshold of “substantial authority.”
- b. to avoid penalties under Section 6662 of the Code.
- c. to search properly with connectors and wildcards.
- d. only a and b

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Moderate

25. Tax journals perform which of the following functions:
- a. offer researchers expert analysis of unclear tax issues
  - b. keep researchers aware of current developments
  - c. suggest tax planning techniques
  - d. all of the above

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Easy

26. Skilled tax research requires a combination of reasoning and creativity.

- a. True
- b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Easy

27. A tax researcher can rely on tax journals as substantial authority under Section 6662 of the Code.

- a. True
- b. False

*ANSWER:* False

*POINTS:* 1

*DIFFICULTY:* Easy

28. The tax research process should be approached in a structured, step-by-step manner.

- a. True
- b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Easy

29. After the researcher has located authority that deals with the client's problem, he or she must develop conclusions and recommendations.

- a. True
- b. False

*ANSWER:* False

*POINTS:* 1

*DIFFICULTY:* Moderate

30. A tax researcher should ignore the personal preferences of a client and concentrate only on minimizing the client's tax liability.
- a. True
  - b. False

*ANSWER:* False

*POINTS:* 1

*DIFFICULTY:* Easy

31. If a computer search generates too much information, the research may use fewer libraries or more unique keywords.
- a. True
  - b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Easy

32. "Wildcards" such as an asterisk can be used to search for word variations in most tax services.
- a. True
  - b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Easy

33. Topical tax services are arranged by subject as defined by the publisher's editorial staff.
- a. True
  - b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Easy

34. Westlaw is an example of an online, free tax-related internet site.
- a. True
  - b. False

*ANSWER:* False

*RATIONALE:* **FEEDBACK:** Westlaw is a commercial, subscription law library online with extensive tax and other legal and business information databases.

*POINTS:* 1

*DIFFICULTY:* Easy



35. The power of Congress to implement and collect taxes is summarized in the Internal Revenue Code, the official title of U.S. tax law.
- a. True
  - b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Easy

36. Tax researchers should not consider the client's potential liability in determining how much time to spend on a client's problem.
- a. True
  - b. False

*ANSWER:* False

*RATIONALE:* FEEDBACK: The researcher has an obligation to a client not to waste the client's money on a low cost/benefit issue.

*POINTS:* 1

*DIFFICULTY:* Easy

37. The *Tax Adviser* journal is published by the AICPA.
- a. True
  - b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Easy

38. Thomson Reuters Checkpoint is a web-based tax research service that contains research material on Federal, state, local, and international taxation.
- a. True
  - b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Moderate

39. The Parker Tax Pro Library (PTPL) is designed as a low-cost tax service for practitioners providing tax advisory and compliance services.
- a. True
  - b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Moderate

40. The search “stock or securities” would find documents that contain both the term “stock” and the term “securities.”

- a. True
- b. False

*ANSWER:* False

*RATIONALE:* *FEEDBACK:* This search would find documents that have *either* the word “stock” or the word “securities.”

*POINTS:* 1

*DIFFICULTY:* Easy

41. The IRS website is a full-service, tax research resource.

- a. True
- b. False

*ANSWER:* False

*RATIONALE:* *FEEDBACK:* The IRS website, while containing much useful information, is not a full-service tax research resource.

*POINTS:* 1

*DIFFICULTY:* Easy

42. One of the issues a tax researcher should be concerned about is how definitive a research result must be.

- a. True
- b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Easy

43. The CPA exam is prepared by the AICPA.

- a. True
- b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Easy

44. All primary source material has the same precedential value.

- a. True
- b. False

*ANSWER:* False

*RATIONALE:* *FEEDBACK:* Different types of primary authority have different value as precedent. The researcher must understand the hierarchy of primary sources.

*POINTS:* 1

*DIFFICULTY:* Moderate

45. The U.S. Constitution is a statutory source of tax law.

- a. True
- b. False

*ANSWER:* True

*POINTS:* 1

*DIFFICULTY:* Easy

46. List in sequential order the major steps involved in the tax research process.

*ANSWER:* The tax research process can be broken down into six major steps, each an essential part of the overall research methodology. The steps in tax research are as follows.

- o Establish the facts
- o Identify the issues
- o Locate authority
- o Evaluate authority
- o Develop conclusions and recommendations
- o Communicate the recommendations

*POINTS:* 1

*DIFFICULTY:* Moderate

47. Explain the difference in primary and secondary sources of tax information and give several examples of each.

*ANSWER:* Primary authority consists of original pronouncements that come from government sources, including statutory, administrative, or judicial sources. Statutory authority comes out of the legislative branch of government, the U.S. Congress, and includes the Internal Revenue Code, legislative history, and tax treaties. Administrative documents come out of the IRS, including regulations, rulings, taxpayer publications, and other guidance documents. The judiciary releases court opinions which are a judicial primary source.

Secondary sources consist of interpretations of primary authority and are an *unofficial* source of tax information. Secondary authority includes tax services, journals, textbooks, treatises and newsletters.

*POINTS:* 1

*DIFFICULTY:* Challenging

48. List the significant tax facts that often influence the client's situation:

*ANSWER:* Significant facts that often influence the client's situation include the following:

- The client's tax entity, for example, individual, corporation, or trust.
- The client's family status and stability.
- The client's past, present, and projected marginal tax rates.
- The client's place of legal domicile and citizenship.
- The client's motivation for the transaction.
- The relationships among the client and other parties who are involved in the transaction.
- Whether special tax rules apply to the taxpayer due to the type of business in which the taxpayer is engaged (i.e., he or she is a farmer, fisherman, or long-term contractor).
- Whether the transaction is proposed or completed.

*POINTS:* 1

*DIFFICULTY:* Challenging

49. Tax research has been described as an "iterative process." Explain what this means to the researcher give an example of how this process might work with a hypothetical client.

*ANSWER:* The process of tax research is iterative in the sense that, once an answer is found, it often causes a new issue to appear, which then requires the gathering of more information. After the researcher has more information, he or she has to go back to the research materials to reevaluate the problem. For example, if a client comes in asking if they can deduct alimony, the researcher can look up the general federal tax rules for alimony. When looking at those rules, the researcher finds that the alimony must be made under a divorce or separation instrument. When the researcher goes back to the client to question the client about the details of the divorce instrument, the client explains that it was not a divorce, but an annulment. Now the researcher must go back and research the issue of whether an alimony deduction is allowed for payments made under a decree of annulment. The researcher then finds that if an annulment has the same effect for support purposes as a divorce under local law, payments under an annulment decree qualify as deductible alimony.

In conclusion, the tax research process is not a linear process. Rather, the direction the research takes is dependent on how the facts and issues develop as the researcher gathers more information.

*POINTS:* 1

*DIFFICULTY:* Challenging