Internal Revenue Code
- Codification of the Federal tax law provisions in a logical sequence
- Have had three codes:
  - 1939, 1954, 1986
Statutory Sources (slide 2 of 3)

- Example of Code Citation: § 2(a)(1)(A)
  - 2 = section number
  - (a) = subsection
  - (1) = paragraph designation
  - (A) = subparagraph designation
Statutory Sources (slide 3 of 3)
Administrative Sources

- Treasury Department Regulations,
- Revenue Rulings,
- Revenue Procedures, and
- Various other administrative pronouncements
Regulations (slide 1 of 4)

- Issued by U.S. Treasury Department
- Provide general interpretations and guidance in applying the Code
• Issued as:
  – Proposed: preview of final regulations
    • Do not have force and effect of law
  – Temporary: issued when guidance needed quickly
    • Same authoritative value as final regulations
  – Final:
    • Force and effect of law
Regulations (slide 3 of 4)

• Example of Regulation citation:
  Reg. § 1.117-4(c)(1)
  1 = income tax regulation
  117 = code section to which regulation pertains
  -4 = fourth regulation on section 117 issued
Regulations (slide 4 of 4)

- Example of Proposed Regulation citation: Prop. Reg. § 1.2
- Example of Temporary Regulation citation: Temp. Reg. § 1.1(i)-1T
Revenue Rulings (slide 1 of 2)

• Officially issued by National Office of IRS
  – Provide specific interpretations and guidance in applying the Code
  – Less legal force than Regulations
  – Issued in IRB and accumulated in the Cumulative Bulletins

• Private Letter Rulings are rulings issued to a specific taxpayer
Revenue Rulings (slide 2 of 2)

- Example of Temporary Revenue Ruling citation
  - Rev. Rul. 2002-4 I.R.B. No. 4, 389
    - Rev. Ruling No. 4, on pg. 389 of 4th weekly issue of Internal Revenue Bulletin for 2002

- Example of Permanent Revenue Ruling citation
    - Rev. Ruling No. 4 on pg. 389 of Vol. 1 of the Cumulative Bulletin for 2002

- Example of Letter Ruling citation
  - Ltr. Rul. 200231006
    - 6th ruling issued in the 31st week of 2002
Revenue Procedures (slide 1 of 2)

• Concerned with the internal procedures of IRS
  – Issued similar to Revenue Rulings
  – Issued in IRB and accumulated in the Cumulative Bulletins
Revenue Procedures (slide 2 of 2)

- Example of Revenue Procedure citation
  - Rev. Proc. 92-29, 1992-1 CB 748
  - 29th Rev. Procedure in 1992 found in volume 1 of Cumulative Bulletin on page 748
Other Administrative Pronouncements (slide 1 of 3)

• Treasury Decisions-issued by Treasury Dept. to:
  – Promulgate new or amend existing Regulations
  – Announce position of the Government on selected court decisions
  – Published in the Internal Revenue Bulletin
  • Then transferred to the Cumulative Bulletin
Other Administrative Pronouncements (slide 2 of 3)

• Determination Letters
  – Issued by Area Director at taxpayer’s request
  – Usually involve completed transactions
  – Not published
    • Made known only to party making the request
Other Administrative Pronouncements (slide 3 of 3)

- General Counsel Memoranda
- Technical Advice Memoranda
- Field Service Advice
Federal Judicial System

- U.S. Supreme Court
  - U.S. Court of Appeals (Regional Circuit)
    - U.S. Tax Court
      - Small Cases Division
  - U.S. Court of Appeals (Federal Circuit)
    - U.S. District Court
    - U.S. Court of Federal Claims
  - Appellate Courts
    - Trial Courts (Courts of original jurisdiction)
Judicial Sources  (slide 1 of 2)

- There are four courts of original jurisdiction (trial courts)
  - U.S. Tax Court: Regular
  - U.S. Tax Court: Small Cases Division
  - Federal District Court
  - U.S. Court of Federal Claims
### Judicial Sources (slide 2 of 2)

<table>
<thead>
<tr>
<th>Issue</th>
<th>U.S. Tax Court</th>
<th>U.S. District Court</th>
<th>U.S. Court of Federal Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of judges per court</td>
<td>19*</td>
<td>1</td>
<td>16</td>
</tr>
<tr>
<td>Payment of deficiency before trial</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Jury trial available</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Types of disputes</td>
<td>Tax cases only</td>
<td>Most criminal and civil issues</td>
<td>Claims against the United States</td>
</tr>
<tr>
<td>Jurisdiction</td>
<td>Nationwide</td>
<td>Location of taxpayer</td>
<td>Nationwide</td>
</tr>
<tr>
<td>IRS acquiescence policy</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Appeal route</td>
<td>U.S. Court of Appeals</td>
<td>U.S. Court of Appeals</td>
<td>U.S. Court of Appeals for the Federal Circuit</td>
</tr>
</tbody>
</table>

*There are also 14 special trial judges and 9 senior judges.*
Appeals Process

- Appeals from District Court or Tax Court go to the U.S. Court of Appeals for circuit where taxpayer resides
- Appeals from Court of Federal Claims is to Court of Appeals for the Federal Circuit
- Appeal to the Supreme Court is by Writ of Certiorari
  - Only granted for those cases it desires to hear
Courts’ Weights As Precedents

• From high to low
  – Supreme Court
  – Circuit Court of Appeals
  – Tax Court (Regular), U.S. Court of Federal Claims, & U.S. District Courts

• Decisions of Small Cases Division of Tax Court have no precedential value, not published and cannot be appealed
Tax Court Decisions (slide 1 of 2)

- Regular decisions are published by U.S. government
  - First Chicago Corp., 96 TC 438 (1991)
Tax Court Decisions (slide 2 of 2)

• Tax Court Memorandum decisions
  – Not published by the government but by private publishers
    • Jack D. Carr, TC Memo 1985-19
    • Jack D. Carr, 49 TCM 507 (CCH citation)
    • Jack D. Carr, RIA TC Mem. Dec. ¶85, 019 (RIA citation)
Trial and Appellate Court Decisions

• Examples of citations
  – Simmons-Eastern v. U.S., 73-1 USTC ¶9279 (CCH citation)
  – Simmons-Eastern v. U.S., 31 AFTR2d 73-640 (RIA citation)
Supreme Court Decisions

• Examples of citations
  – Donruss Co., 69-1 USTC ¶9167 (CCH citation)
  – Donruss Co., 23 AFTR2d 69-418 (RIA citation)
  – Donruss Co., 89 S. CT 501 (West citation)
  – Donruss Co., 393 U.S. 297 (U.S. Government citation)
Tax Research Process

- Legislative Sources
- Administrative Sources
- Judicial Sources
- Unofficial Sources
- Nontax Considerations

Preliminary Problem Identification

Tax Research

Problem Refinement and Discovery of New Problem Areas

Solution

Communication

New Developments
• Tax research is the method by which an interested party determines the best solution to a tax situation
Assessing The Validity Of Tax Law Sources (slide 1 of 4)

• Regulations
  – Proposed Regulations are not binding on IRS or taxpayer
  – Burden of proof is on taxpayer to show Regulation incorrect
• Final Regulations tend to be of three types
  – Procedural: housekeeping instructions
  – Interpretive: rephrase what is in Committee Reports and the Code. They are hard to get overturned
  – Legislative: allow the Treasury Department to determine the details of law. Congress has delegated its legislative powers and these cannot generally be overturned
Assessing The Validity Of Tax Law Sources (slide 3 of 4)

• Revenue Rulings
  – Carry less weight than Regulations
  – Not substantial authority in court disputes
Assessing The Validity Of Tax Law Sources (slide 4 of 4)

• Judicial sources
  – Consider the level of the court and the legal residence of the taxpayer
  – Determine whether the decision has been overturned on appeal
Tax Planning

- Consider social, economic, and business goals as well as tax motives.
- Tax avoidance is the legal minimization of tax liabilities and one goal of tax planning.
- Tax evasion is the illegal minimization of tax liabilities and can lead to fines and jail.
Electronic Tax Research

- CD-ROM services
- On-line systems
- Internet: home pages, newsgroups, email, etc
If you have any comments or suggestions concerning this PowerPoint Presentation for West's Federal Taxation, please contact:

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