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Tax Administration and Procedure: Final Examination (January 20, 1961)

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TAX ADMINISTRATION AND PROCEDURE

FINAL EXAMINATION

JANUARY 20, 1961

1. Is it the policy of the revenue service to increase or decrease the number of enrolled practitioners and why?
2. What mass programs are sponsored by the revenue service at present as a means of educating the public towards better compliance?
3. List all the "powers" that you can think of which are conferred upon the Commissioner by the Code to aid in the administration and enforcement of the tax laws.
4. Return filing - H and W have regularly filed joint returns, Form 1040, on the basis of a tax year ending on June 30. On Aug. 1, 1958, W died. H was appointed as the executor of her estate. On Nov. 1, 1960, H married wife No. 2. W No. 2, had income of her own and had regularly filed Form 1040 on a calendar year basis. Following her marriage she desired to file jointly with her husband on the basis of H's taxable year ending on June 30.
 - (a) What were H's income tax return filing responsibilities for the tax year in which his wife's death occurred?
 - (b) What is the first year for which H and W No. 2, can file a joint return, Form 1040?
5. Penalties and interest for late filings - Calendar Taxpayer A filed a Form 1040 for 1960 showing \$1000 tax liability before tax credits. Dividend and withholding tax credits totalled \$800. The balance of \$200 was paid with the filing of the return. Upon receipt in the District Director's office it was noted that the return was 14 days late (and no explanation was attached to the return); and, further it was noted that the withholding credit claimed exceeded the supporting Form W-2 by \$100. Six months later during office audit it was discovered that interest income had been omitted in an amount sufficient to increase the tax liability by \$100, which the taxpayer agreed should be assessed. The added tax of \$100 was promptly assessed, a bill dated Oct. 15, 1961 was mailed and paid on Oct. 20, 1961.
 - (a) Assuming no reasonable cause, for late filing, what action was the District Director required to take immediately upon discovery of the late return and the mathematical error?
 - (b) What is the "total amount" of the Oct. 15, 1961 bill?
 - (c) If the taxpayer believed there was justification for the 14 day delay in filing what should he have done (1) upon filing the return? (2) or failing that, upon receipt of the first bill?
6. Estimated tax return - H and W both receive salary subject to withholding. H expects to receive \$6000 salary during 1961 and his estimated withholding tax is \$972. W expects to receive \$2000 salary with an estimated withholding tax of \$252. In addition, they expect to receive \$225 in dividends on A. T. & T stock, making a total tax liability on their joint return of \$1259.75.
 - (a) Must they file a declaration, Form 1040ES for 1961?
7. Extension of time - Corporation A could not assemble all of its figures for a final return due on March 15, 1961. Of its estimated tax liability for 1960 of \$400,000, it had paid \$150,000 on September 15, and December 15, 1960, leaving an estimated balance of \$250,000 to be paid during 1961.
 - (a) What should the corporation do on March 15, 1961, by way of filing its return and paying the balance due?

8. Statute of limitations - An individual taxpayer requested and was granted an extension of time for filing for 6 months from April 15, 1958, on which extended date the return was filed. Assume that on September 15, 1961, the revenue agent asked for, and received, a waiver of the statute for assessment purposes for one year. During this extended period the revenue agent completed his audit and made no change in the original liability. Following the completion of the audit the taxpayer discovered that he had neglected to claim an allowable deduction.

(a) What is the last date the taxpayer has for filing a claim?

(b) State the general rule as to the limit of the amount recoverable if a claim is filed on such last date.

9. Mitigation of the statute of limitations - Show the need for some mitigating provisions by giving one illustration of how it works.

10. Mutual indebtedness theory as applied to interest - Give one illustration of how this theory is applied.

11. Indicate briefly the nature of the following as applied in tax administration:

- (a) Statutory notice
- (b) Information return
- (c) Informer's Award
- (d) 30 day letter
- (e) Informal Conference
- (f) 90 day letter
- (g) Distrainment warrant
- (h) Assessment
- (i) Deficiency amount
- (j) Compromise
- (k) Closing Agreement
- (l) Appellate settlement
- (m) Tax lien
- (n) Pre-trial settlement
- (o) Joint Committee case
- (p) Abatement
- (q) Assessment waivers
- (r) Deficiency dividends
- (s) Levy
- (t) Depository receipts
- (u) Over-assessment certificates
- (v) Transferee assessment
- (w) Fiduciary notice
- (x) Registration
- (y) Notice and demand
- (z) Jeopardy assessments

12. If you were the Commissioner, what would you do first by way of seeking improvement in the administration of our tax laws?