

Tax Services and Periodicals

Chapter Outline

Tax Services

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Approaching the Research Problem
Accessing Tax Information

RIA Checkpoint

Keyword Search
Contents Search
TOC Search
Index Search
Citation Search
Code Search
Case Search

CCH Tax Research NetWork

Keyword Search
Citation and Contents Searches
Citation
TOC
Index

ATX/Kleinrock

Tax Periodicals

Citing Articles
Types of Periodicals
Annual Proceedings
Scholarly Reviews
Professional Journals
Newsletters
RIA
CCH

Locating Relevant Tax Articles

CCH FTA
WG&L IFTA

Learning Objectives

- Understand the advantages and disadvantages of Internet tax services.
- Apply the research process to actual Federal research problems.
- Become familiar with the major features of Internet tax services.
- Recognize the difference between annotated and topical tax services.
- Use the keyword, cite, and contents searches to find relevant materials in Internet tax services.
- Introduce the usefulness of tax periodicals and the role they play in the tax research.
- Master the correct citation forms for printed and Internet tax materials.
- Examine indexes to tax periodicals that can facilitate locating pertinent journal articles.

WITH EASY AND FREE access to virtually all primary tax sources via the Internet, one might wonder why tax practitioners are willing to bear the substantial costs associated with subscribing to commercial tax services. The reason is that, by organizing the copious assortment of primary and secondary tax law sources, these services facilitate more efficient, effective, and comprehensive searches for solutions to tax questions than a Google search would produce. Further, tax practitioners are being more closely scrutinized by the IRS and the Securities and Exchange Commission (SEC) as a result of the Sarbanes-Oxley legislation and other increases in regulation. This heightened oversight increases the importance of conducting quality tax research that is carefully documented. Tax services provide a vehicle for conducting this quality research.

The tax services provide editorial explanations and expert analysis of the primary tax sources. As the tax law can be quite complex, the plain English commentary alone can be worth the cost of the services. Thus, the value of a commercial tax service is to act as an index for and explanation of primary and secondary tax law source materials. Most tax practitioners avail themselves of the benefit of a tax service, as there are services priced to fit the needs (and pocketbooks) of even the smallest tax office.

While one of the main features practitioners appreciate in a tax service is the editorial explanation, only reckless (or inadequately trained) tax practitioners confine their analysis to this commentary. The tax services should efficiently direct the researcher to the germane primary sources of the controlling law. It is the ethical and professional duty of the researcher to undertake an evaluation of these primary sources, and to ascertain whether any developments have occurred recently that may change or alter the results of the research.

This chapter concretely applies the basic steps for developing effective and efficient tax research, based on the process introduced in Chapter 2, by utilizing the major tax services to find a solution to an actual tax question. The features of the tax services are explored on this journey. The end of the chapter investigates some of the important tax newsletters and periodicals that may be quite useful in finding solutions to tax problems. Tax services offering legal as well as tax products are examined in Chapter 7.

TAX SERVICES

Traditionally, commercial tax services are classified into two general types, annotated and topical. **Annotated tax services** are organized by *Internal Revenue Code* section number. They may also be called **Compilations** because they compile an editor's explanation and evaluation with the Code section, its recent committee reports, and Regulations, and they provide **annotations** (brief summaries) of related court cases and administrative rulings. **Topical tax services**, on the other hand, divide the tax law into transactions and related subject matter with underlying tax principles as an organizing format. Thus, the material follows logical threads that connect noncontiguous Code sections. Since the electronic services developed from published services, they are generally organized as topical and annotated databases; however, this structure may not be apparent.

One of the greatest benefits of any electronic tax service is the currency of the information provided. Most Internet services update in text on a daily or continuous basis. Still, daily updating does not necessarily mean that what happened yesterday will be accessible today. Processing time still is required. Daily updating does mean, however, that as soon as the information is processed it can be entered into the system.

There are numerous public domain resources and third-party services available to the tax professional. Some tax services simply compile primary source information obtained from the government, while others originate information and include substantial analysis. While practitioners can retrieve most primary tax sources at no cost, this free access does not translate into more effective research. The sheer volume of information, and the time needed to sort, read, and comprehend all of it, can lead to information overload and inefficiencies. All of this information must be managed; otherwise, using the Internet for tax research is not effective. Consequently, Internet access to primary sources cannot substitute for a subscription to comprehensive tax services. Besides checking the validity of primary tax sources, tax services furnish various methods of searching the tax sources, editorial analysis and comments, organization, and an integration of the tax resources.



SPOTLIGHT ON TAXATION

Tax Quote

The difference between tax avoidance and tax evasion is the thickness of a prison wall.

—Denis Healey

ILLUSTRATIVE RESEARCH EXAMPLE

The following research project is used to demonstrate the steps in tax research and to explore the essential features of the major tax services. It is important that *you* attempt the illustrative research project using the tax services available to you. The procedural knowledge necessary to use these tax services efficiently can be acquired only through hands-on practice. The remainder of this chapter is designed to guide you through the basic tax services and is *not* a substitute for your actually using the services. Performing the research along with the text presentation of the research steps is a highly effective method of learning this material.

Research Project 6-1. Our clients, Alfred and Agnes Zyzic, have a sole proprietorship that develops and manufactures children's toys. Alfred is the inventor of the toys, and Agnes is the marketer of their products. However, Agnes has had serious medical problems for the past two years and has not been able to market their products effectively. Consequently, sales have plummeted and the business is in financial distress. The medical problems have also resulted in huge medical costs that were not covered by insurance. Thus, the Zyzics also are experiencing serious personal financial difficulties. They feel that the best solution to their current predicament is to file for protection under the personal bankruptcy law. They have hired a lawyer to prepare and file all the necessary documents in the bankruptcy court. The Zyzics would like to know how bankruptcy costs are treated for tax purposes.

Approaching the Research Problem

Regardless of the research method used, the starting point in approaching any tax research problem is to formulate various tax questions to be asked and develop the issues associated with the question. The tax question for Research Project 6-1 appears to be: What is the appropriate tax treatment of the legal fees incurred in filing for bankruptcy by the Zyzics? This first formulation of the tax question should not be considered its final version. As the research progresses, other issues are likely

to be identified, causing some refinement of the tax research questions and necessitating the development of new ones. Recall the iterative nature of tax research as discussed in Chapter 2 relative to Exhibits 2-1 and 2-2.

Gradually research questions are refined to their final states and all the associated issues are identified. However, this refinement does not guarantee that controlling authority will be found that provides a definite answer to the tax research question. The final conclusion may be that one solution appears more supportable than another, or that the IRS or the courts are more likely to interpret the facts and circumstances in a particular manner when making a decision. In most tax research engagements, professional judgment is required because the controlling law is imprecise and can be interpreted differently by the taxpayer and the IRS. Professional judgment is what taxpayers are seeking when they hire CPAs for tax assistance.

Based on the initial question formulated, the main issues in Research Project 6-1 appear to be the deductibility of bankruptcy legal fees as business expenses, as deductible personal expenses, or as nondeductible personal expenditures. Therefore, relevant keywords for this research include: *bankruptcy*, *legal fees*, *business expenses*, *personal expenditures*, and *deduction*. It is wise to make an extensive list of possible keywords, to lessen the chance of omitting relevant terms.

Through a basic knowledge of the Code, we know that business expenses are governed by IRC §162, Trade or Business Expenses. Finally, in prior research of other topics, we have seen references to a 1963 Supreme Court case called *Gilmore* that developed the origin-of-claim test for determining whether legal expenses are deductible business costs or personal nondeductible expenses. The case specifically concerns legal costs associated with divorces, but it may have some bearing on this situation.

Accessing Tax Information

The key to effective tax research is finding the pertinent material necessary to formulate an informed conclusion about the optimum treatment of the transaction. How the tax services are entered will determine how efficiently the relevant materials are found. Most of the services allow researchers to choose whether to have retrieved documents presented in order of relevance to the search or listed by database sources. The former uses a complex software formula to determine relevance, whereas the latter lets the researchers themselves decide which documents should be examined first.

Regardless of the order in which the results are displayed, a researcher unfamiliar with the topic should start with an editorial explanation and overview of the applicable tax law. This commentary will help the researcher identify the most pertinent elements of the project and introduce the applicable primary tax law. Access to the primary sources from the explanation is easy because the primary sources are generally hyperlinked to their citations. This initial foray into the service is likely to identify other issues to investigate and more facts that should be collected. Remember that research is an iterative process.

From this initial analysis, a researcher may decide that a new, more targeted search is warranted. Once the relevant primary sources are identified, but before they are carefully read, it is necessary to determine which sources are still valid law by checking them through a citator (see Chapter 8 for a full discussion of citators). The fact that the tax service locates a document and places it high on the relevance list does not mean the researcher can assume it is still valid law. The last step is to read carefully the germane primary tax law sources. Only after evaluating these

sources themselves can the researcher provide educated suggestions as to the optimum treatment for the items in question.

The commercial providers of tax services offer a plethora of tax products (databases) that can be bundled in a variety of ways. This chapter's description of the tax databases within any of the services may not be what is available by subscription to the reader. Each tax professional, firm, or library performs a cost-benefit analysis and purchases only those resources that it can afford and finds useful in its practice. In addition, the tax services are constantly updating their products to maintain their competitive edges. Therefore, the current appearance of the tax services and products offered may differ from those presented in this text. Nevertheless, the basic methodology described in this chapter should apply to whatever tax databases and products are available to the reader and whatever their visual presentation.

RIA CHECKPOINT

Tax services can be entered using three search methods: Keyword, Cite (using the citation of primary sources such as a Code section, case name, or ruling number), and Content (Table of Content and Index). How to use each method will be illustrated using **Checkpoint**, the Research Institute of America (RIA) Internet tax service. This is one of the most authoritative and well-known tax services available. The general methodology that applies to RIA Checkpoint also applies to other tax services.

RIA Checkpoint provides a full gambit of Federal tax information with several different product packages available. The most inclusive package includes all primary tax sources, **Federal Tax Coordinator (FTC)**, **United States Tax Reporter (USTR)**, Citator 2nd Series, Warren, Gorham & Lamont (WG&L) journals, WG&L textbooks and treatises, IRS publications, and so on. With so much information available, it is important to limit a search to only those databases that are pertinent to the research project; otherwise, too many irrelevant documents will be retrieved.

Exhibit 6-1 shows the opening search screen appearing after the RIA Checkpoint log-on screen. The screen is organized to facilitate quick access to the research methods most frequently used by the practitioners. As can be seen, the focus of Checkpoint is on Keyword searches; the Keyword entry box is center screen. A Table of Contents (TOC) search can be launched by clicking on the button so named at the top of the screen and Index searches started either through the TOC or the left window of the opening search screen. Cite searches are also accessed through the left window. The discussion of searching in Checkpoint will start with Keyword searching since this is Checkpoint's emphasis and then move to Contents and finally Cite searches. Before the searching can commence, a practice area needs to be selected. Among the choices are Federal, State & Local, Estate Planning, Pension & Benefits, International, and All Practice Areas. The default area is Federal, and therefore, no changes need to be made for Research Project 6-1, since it involves a Federal income tax problem.

Keyword Search

Checkpoint makes Keyword searching appear to be as easy as 1, 2, 3 (see Exhibit 6-1). First, enter keywords in the box provided. Second, select a database to search. Third, click on the "Search" button. If only it was that easy to find the perfect search terms, select just the right database, and have the pertinent search results appear with the click of the mouse! Probably the most difficult part of a keyword search is finding the

Exhibit 6-1: RIA Checkpoint Opening Search Screen

The screenshot shows the RIA Checkpoint search interface. At the top, there is a navigation bar with 'Home', 'Research', 'Newsstand', 'Tools', and 'Practice Development'. A search bar at the top right contains the text 'bankruptcy legal fees' and has a 'Search' button. On the left, there is a 'Search' sidebar with options like 'Practice Area: Federal', 'Keyword Search', 'Find by Citation', 'Date Range Search', and 'Legislation Search'. The main search area is divided into three sections: 1. 'Enter Keywords:' with the text 'bankruptcy legal fees'; 2. 'Choose Sources from:' with a dropdown set to 'All Federal'; 3. A list of source categories with checkboxes. The 'Editorial Materials' and 'Primary Source Materials' categories are checked. The 'Legislation (Editorial Analysis and Source Material)' category is unchecked. A list of years and Congresses is visible at the bottom of the source list.

best words to use that are not so broad that too many irrelevant documents are retrieved and not so narrow that too few relevant documents are found.

For an initial search, the terms *bankruptcy legal fees* were entered in the Keywords box of Exhibit 6-1. Editorial Materials, News/Current Awareness, and Primary Source Materials databases were searched. Over 2,700 documents were retrieved on the Source Documents screen. A full-text search looks for each term appearing anywhere in the text of the documents. It does not consider our desire that the document be about the tax treatment of the incurred legal fees for bankruptcy. The program literally searches for a string of characters making up the words. Thus, every document addressing bankruptcy with the words *legal* and *fees* in it is identified. Court cases, for example, are most likely to contain the term *legal* somewhere in their text. If the cases discuss bankruptcy and any type of fees, it is included in the document list. Approximately 1,800 of the search results are court cases, the majority of which are not applicable to research project. Common words selected as keywords are likely to not be useful in discriminating relevant documents and should therefore be avoided if possible.

Due to the number of the documents retrieved, our search should be modified in two respects. First, the number of databases searched is reduced. A general understanding of the deductibility of bankruptcy legal fees is first necessary if the researcher is unfamiliar with the topic. Therefore, only editorial materials providing explanations of the tax law such as the FTC and the USTR—Explanations are

selected. This modification is accomplished by selecting the “Modify Search” on the Source Documents screen in Exhibit 6-2. With this modification, approximately sixty documents were retrieved.

Another modification performed to reduce the number of documents retrieved is to place quotation marks around the words “legal fees” indicating that these words should be searched as a phrase. Again, from the Source Document screen, the “Search Within Results” Search Tools option is chosen to make this modification. This search option allows the researcher to further search the source documents already identified using additional terms or in our case altered terms. Running the search with the modified keyword terms and the new databases identifies a more reasonable number of documents. Through this iterative research process, our first set of search terms became *bankruptcy “legal fees.”* The spaces between words are interpreted by Checkpoint as an “and” connection. Accordingly, only documents containing all of these words anywhere in its text are located. Notice that these terms were entered into the Keywords box in no particular order. However, if an order is desired, Boolean connectors may be used. A list of the RIA Boolean connectors is furnished in Exhibit 6-3. Not only can the researcher indicate order with these connectors, but relationships among words themselves. For our search, for example, indicating that the terms should appear within the same

Exhibit 6-2: RIA Checkpoint Document Sources

Checkpoint History | Options | My Folders | Help | Sign Off

Home Research Newsstand Tools Practice Development

Search Results Search | Table of Contents

Total Documents Found:
2,738
Search Terms: bankruptcy
legal fees
Sources: Actions on
Decisions (1967 - Present)
(RIA); Advance Citator 2nd
(RIA); Advance...
more...

[Modify Search](#) ←

Search Tools

[Search Within Results](#) ←

[Save or Schedule Search](#)

Go to

[Table of Contents](#)

Source	Documents
Editorial Materials	
Federal Tax Coordinator (RIA)	
Analysis / Federal Tax Coordinator (RIA)	53
Checklists (RIA)	1
Client Letters (RIA)	1
Tax Alerts (RIA)	
Tax Alerts Developments (RIA)	1
Tax Alerts Archives (RIA)	3
Tax Planning and Practice Guides (Special Studies) (RIA)	1
United States Tax Reporter - Annotations (RIA)	
Annotations (Code Arranged - USTR) (RIA)	189
United States Tax Reporter - Explanations (RIA)	9
News/Current Awareness	
Federal Taxes Weekly Alert Newsletter (RIA)	25
W&L Journals	
Business Entities (WG&L)	32
Journal of Corporate Taxation (WG&L)	11
Journal of Taxation (WG&L)	57
Practical Tax Strategies/Taxation for Accountants (WG&L)	38
Practical Tax Strategies Preview (WG&L)	2
Primary Source Materials	
Internal Revenue Code, Treasury Regulations, Committee Reports (RIA)	
Final, Temporary & Proposed Treasury Regulations (RIA)	8
Internal Revenue Code (RIA)	1
Internal Revenue Code History (RIA)	2
Preambles to Final and Temporary Treasury Regulations (Treasury Decisions) (RIA)	28
Preambles to Proposed Treasury Regulations (RIA)	1
Prior Final & Temporary Treasury Regulations (RIA)	4

View hits only

Exhibit 6-3: RIA Checkpoint Boolean Connectors

Keyword Search Type	Connector to Use	Example
Containing all my keywords	Space, &, AND	earnings profits
Containing any of my keywords	, OR	earnings OR profits
Contains one keyword but not the other	^, NOT	earnings NOT profits
Containing an exact phrase	" " (quotes)	"earnings and profits "
Containing variations of my keywords	* (asterisk)	deduct*
Showing order to perform commands	() (parentheses)	(earning profits) NOT retained
Within n words of other (any order)	/n (n equals a number)	consent /5 dividends
Within n words of other (in exact order)	pre/n	consent pre/5 dividends
Within same sentence (or 20 words) as other (in any order)	/s	consent /s dividends
Within same sentence (or 20 words) as other (in exact order)	pre/s	consent /s dividends
Within one paragraph (or 50 words) of other (in any order)	/p	consent /p dividends
Within one paragraph (or 50 words) of other (in exact order)	pre/p	consent pre/p dividends

sentence would have been useful. The keywords would be entered in the Keywords box as *bankruptcy /s "legal fees"*. Using this entry produces four documents in the FTC, all of which are relevant to our project. Variations in words may also be searched. If we want to search for the terms *expense*, *expensing*, and *expenditure*, we could enter "expen*" where the asterisk is a holder for zero or more characters at the end of a word. Documents containing any of the variations are retrieved. The list of connectors is available in Checkpoint by clicking on Thesaurus/Query Tool function (see Exhibit 6-1, at top right).

If the researcher is not sure of the best terms to use, synonyms can be added to the keyword search terms, by using the thesaurus built into Checkpoint. The researcher has the option of selecting which of the synonyms displayed are added to the search or of including all of the alternatives. By being able to select only some or one of the terms, researchers can customize the search to their particular research project. For Research Project 6-1, the term *bankruptcy* elicits synonyms of *receivership* and "*subchapter v.*" By selecting the synonyms we prefer, Checkpoint automatically adds the terms to the keywords box with a vertical slash between each term indicating an "or" connection for the synonyms. More information on formatting keyword entries can be found in the "Help" feature appearing on every screen (see Exhibit 6-2).

Using the databases and search terms described, our search results in documents being identified in the FTC and the USTR—Explanations. Clicking on either of these titles will display the list of documents found in these services. The FTC, RIA's flagship service, is a topical service, whereas the USTR is an annotated service that provides explanations as well as annotations to cases and rulings. As Exhibit 6-4 demonstrates, the FTC document list provides the paragraph number, the title of each document, and shows the keywords in context with the keywords highlighted. The first document listed "Deductibility of fees incurred in connection with personal and business bankruptcy" appears to provide a promising start for our research project. Clicking on the title of the document will retrieve its full-text entry.

Notice that prior to the paragraph number is a column titled Score. This score is used for listing the documents in order of relevance. The relevance of documents is determined by an internal complex formula created by IRA that weighs factors such as density, commonality, and relativity of the search terms in the documents. Rather than being displayed by relevance, the documents may be listed by TOC order. The researcher may indicate display preferences through the Options function (see Exhibit 6-4, at the top right).

The Document Display screen (Exhibit 6-5) provides easy access to the other documents in the FTC by listing them in the left window. Documents in the FTC and all documents found by the search also are accessible through the Document arrow at the bottom (right) of the screen. Clicking on the arrow will scroll through the documents. The Content arrows change the left window to a Contents View, (Clicking on the Contents View button at the top of the left window will perform the same ordering.) This allows the researcher to know where in the TOC the current document is located. Also, through this view, the researcher can browse the service as one would flip through the pages of the published version. This is very handy when the researcher would like to read other explanations closely related to the topic of the research project.

Finally, the Keyword arrows (far right bottom) find the occurrences of the keywords in the documents. The keywords throughout the text are highlighted for

Exhibit 6-4: RIA Checkpoint Document List

Checkpoint History | Options | My Folders | Help | Sign Off

Home Research Newsstand Tools Practice Development

Search | Table of Contents

Documents from: **Analysis / Federal Tax Coordinator (RIA)**

Score	Document Title (Relevance Order About Relevance...)
93	<input type="checkbox"/> L-2922 Deductibility of fees incurred in connection with personal and business bankruptcy. L-2922Deductibility of fees incurred in connection with personal and business bankruptcy. A taxpayer can deduct legal fees in connection with a business bankruptcy. Where a taxpayer liquidated his dairy farming business at auction, a state court
57	<input type="checkbox"/> L-2946 Receivership and liquidation. L-2946Receivership and liquidation. Legal fees paid to oppose an action of receivership 3Patch, Minerva King, (1941) PH ETA Memo ¶41552Patch, Minerva King, (1941) PH ETA Memo ¶41552
56	<input type="checkbox"/> M-4331 Whether legal or professional fees qualify for the 10-year specified liability loss carryback. Advice 199945014 Thus, this rule applies to fees paid in connection with an SLL.48Field Service Advice 199941011Field Service Advice 199936002 such as legal fees incurred in contesting or investigating workers' compensation claims.49IRS Letter Ruling 200129002 as well as to fees that are paid to contest a
50	<input type="checkbox"/> L-2502 Suits that arise out of business operations. account which were to be disbursed to A in accordance with the terms of an escrow agreement. After the funds were disbursed, A filed for bankruptcy. The depositor of the funds sued taxpayer for negligence, breach of contract, and breach of fiduciary responsibility. Taxpayer made a payment to settle the lawsuit
47	<input type="checkbox"/> L-2902 Deductibility of legal expenses incurred in conducting business activities. L-2902Deductibility of legal expenses incurred in conducting business activities. Legal fees incurred by a taxpayer are deductible as a business expense where directly connected with, or proximately resulting from the business.3Holt, Jerry A
39	<input type="checkbox"/> L-2969 Legal expenses in personal matters. L-2969Legal expenses in personal matters. Where the origin and character of an expense is in a personal matter, legal fees and court costs are generally not deductible, no matter what the effect on taxpayer's income. Thus, a deduction was denied for: ... Defense of two
32	<input type="checkbox"/> L-5501 Dissolution and liquidation costs defined. 42-1 USTC ¶9425Loster, Edward, (1940) 43 BTA 159, acc, aff'd & rev'd(1942, CAS) 29 AFTR 465, 128 F2d 4, 42-1 USTC ¶9425 Legal fees paid at the beginning of dissolution are deductible in the year paid, even if final dissolution does not occur until a later year.2
28	<input type="checkbox"/> L-5761 Capitalization of amounts paid or incurred to facilitate an acquisition of a trade or business, a change in the capital structure of a business, and certain other transactions. acquisition of the stock of X because the acquisition was not complete until the arbitral litigation was ultimately

Page 1 of 1

Print Export Save Display Words Around Hits

Exhibit 6-5: RIA Checkpoint FTC Document

The screenshot shows the RIA Checkpoint interface. At the top, there are navigation tabs: Home, Research, Newsstand, Tools, and Practice Development. A search bar is visible on the right. The main content area displays the title "L-2922. Deductibility of fees incurred in connection with personal and business bankruptcy." followed by a paragraph of text. The text discusses a taxpayer's ability to deduct legal fees in connection with a business bankruptcy, citing a state court order and the Tax Court's decision. The text is followed by two footnotes, 41 and 42, which are hyperlinked. A search results list on the left side of the page shows the current document as the top result. At the bottom of the page, there are icons for Print, Export, E-mail, Save, Open, and Text, along with a navigation bar for Document, Contents, and Keyword.

easy identification (see Exhibit 6-5). Citations that hyperlinked to their full-text documents are indicated by being underlined and in blue type. Clicking on the footnote numbers will jump to the citations. Since the FTC is a topical service, footnotes are utilized to provide substantiation for the editorial views expressed in this service. The discussion presented in such commentary is not the law, and the paragraph numbers of the FTC should not be cited as support by a tax professional. Primary sources, after being investigated and applying professional judgment, are usually the only appropriate documents to be used for supporting a taxpayer's position.



SPOTLIGHT ON TAXATION

Tax Service History

The United States Tax Reporter, the annotated tax service offered by RIA, didn't start out with this name. Prentice Hall published this tax service from 1924 to 1990 as the *PH Federal Taxes*. In November of 1989, Maxwell MacMillan bought the service and merely replaced Prentice Hall's

continued

continued

name as the publisher. Then, in September 1991, Thomson acquired Maxwell MacMillan. The *PH Federal Taxes* became part of the RIA offerings in 1992 when its name was changed to the United States Tax Reporter.

Through reading the documents currently identified, we realize that we need to revise our tax issues. We have learned that personal bankruptcy legal costs are not deductible. The revised tax issue becomes the deductibility of all or part of the bankruptcy legal costs as business expenses. To make sure that we find all of the pertinent documents addressing the deductibility of legal fees as a business deduction, we enter a different keyword search using the terms *business* and “*legal expenses*” or “*legal fees.*” The Source Documents screen indicates sources available in the USTR–Explanations and USTR–Annotations, the two databases chosen for this search. One of the documents from Explanations, Expenditures connected with litigation, is reproduced in Exhibit 6-6. Note that the paragraph number, ¶1624.040, provides a reference to the Code section governing this issue, §162. The last number, 4, indicates that the paragraph is an explanation.

Exhibit 6-6: RIA Checkpoint USTR Document

The screenshot displays the RIA Checkpoint interface. At the top, there are navigation tabs: Home, Research, Newsstand, Tools, and Practice Development. A search bar on the right contains the text 'EXP ¶1624.040 Expenditures connected with litigation. Explanations (Code Arranged - USTR) (RIA)'. Below the search bar, there are navigation buttons for 'Annot', 'IRC', 'Regs', 'Com Rpts', 'Hist', and 'AdvAnnot'. The main content area shows the document title 'EXP ¶1624.040 Expenditures connected with litigation.' followed by a detailed explanation of legal expenses. The left sidebar shows a 'Search Results' section with a list of documents, including the selected document 'EXP ¶1624.040 Expenditures connected with litigation.' The bottom of the screen features a toolbar with icons for Print, Expert, E-mail, Save, Open, and Text, along with navigation buttons for Document, Contents, and Keyword.

EXP ¶1624.040 Expenditures connected with litigation.

Legal expenses paid in connection with litigation and amounts paid in settlement of litigation are deductible as **business** expenses under Code Sec. 162(a), where the litigation is directly connected with or proximately results from the taxpayer's **business**. ¶1625.041(5) – ¶1625.051(5). A common example is the fee paid to a lawyer to collect a claim. ¶1625.041(5). But some expenditures in connection with litigation are denied as deductions even though they result from a taxpayer's **business**, on the ground that they are in the nature of capital expenditures; for example, the cost of defending or perfecting title, explained at ¶1624.01 et seq.

An amount paid in settlement of a claim, arising out of a **business** transaction, without admitting liability, for the purpose of avoiding litigation is generally treated as a **business** expense. See for example ¶1625.043(30).

Damages paid pursuant to a judgment or in settlement of a suit or claim are generally treated as losses under Code Sec. 165, ¶1650 for income tax purposes. But in a few instances in which the claim arose in connection with a **business** transaction, a payment in settlement of the damages has been allowed as a **business** expense. See, for example, *Hampton*, ¶1625.044(5).

Payments to attorneys and related items are deductible under Code Sec. 162 regardless of the nature of the work performed, e.g., trials, conferences, or office advice. The crucial thing to be established is that the expenses were related to, or arose out of, taxpayer's **business**.

The subject of **legal expenses** in connection with tax matters is covered at ¶1625.043 (17), ¶1625.048(5) et seq.; and fraud and other criminal violations at ¶1625.044(5) et seq.; ¶1624.378.

Individuals not engaged in a **business** may be able to deduct litigation expenditures as

Directly above the paragraph number and document title in Exhibit 6-6 are a number of buttons that will lead the researcher to other documents related to this topic, such as annotations (Annot), the applicable Code sections (IRC), Regulations (Regs), committee reports (Com Rpts), history (Hist), and advance annotations (Adv Annot). When comparing this document with the FTC document in Exhibit 6-5, observe that these useful buttons are not present in the FTC. This is because the FTC is a topical service and the USTR is an annotated service. As in Exhibit 6-5, the left window of Exhibit 6-6 displays a list of the documents retrieved by the search.

Selecting the Document List tab (in left window) displays the long list of documents from the search appears in the left window. An easy way to narrow this list is to click on the Search Tools tab at the top of the left window, then select Search within Results, and enter *personal bankruptcy* into the Keywords box. The documents and annotations returned seem to be pertinent to our research. Since the annotations also are part of the USTR, the same buttons (IRC, Regs, Com Rpts, etc.) appear above the annotation titles. The Expl button replaces the Anno button and will take the researcher to the explanation portion of the USTR related to the annotation. Each annotation is hyperlinked to the related primary documents. Competent researchers always read the primary documents and never rely on these exceedingly brief annotations when resolving a tax question. The case of Herbert E. Cox, TC Memo 1981-552, indicates that the bankruptcy legal fees are deductible to the extent that the bankruptcy filing has its origin-of-claim in the taxpayers' business. The crucial factor is whether the bankruptcy filing was proximate result of the business failure.

Contents Search

One very important method of limiting the number of documents retrieved and guaranteeing their pertinence is to employ a contents search either in conjunction with a keyword search or as the only method of searching. This method treats electronic tax services as if they are their counterpart published services. Accordingly, researchers can “drill down” through either the TOCs or Indexes of the tax services just like they would “thumb through” these if they had books in front of them.

TOC Search A TOC search is launched from the opening screen by selecting the Table of Contents option (see Exhibit 6-1). For the illustrative Research Project 6-1, we would review the Federal Editorial Materials and in particular the FTC. Scanning the chapters in the FTC, Chapter L Deductions: Business and Investment Expenses, Travel & Entertainment appears to be relevant. Clicking on the title will display the TOC for the chapter. The researcher can continue to drill down through the contents until pertinent individual entries are found. This drill-down method can be very efficient when the researcher has a good idea of where in the services the relevant documents are likely to be located.

At any point in the drilling-down process, a keyword search may be performed on up to fifteen topics by checking the box in front of the title (see Exhibit 6-7). This search is not limited to the TOC titles as might be presumed; rather it searches the documents within the titles. Thus, using this method will lead to the same relevant documents as a general keyword. The advantage of this option, however, is that the researcher can limit the chapters of the tax service searched to only those that are pertinent to the issue being researched.

The results of keyword search of Chapter L, using the terms *bankruptcy* and *legal*, is shown in Exhibit 6-7. The top of the right window shows exactly where the topics retrieved are located in the service (Federal Library, Federal Editorial Materials, FTC 2d, Currently in Chapter L). The numbers after the topic titles indicate

Exhibit 6-7: RIA Checkpoint Table of Contents

The screenshot shows the RIA Checkpoint Table of Contents interface. The top navigation bar includes 'Home', 'Research', 'Newsstand', 'Tools', and 'Practice Development'. The main content area is titled 'Table of Contents' and lists various tax topics with checkboxes and hit counts. The current selection is 'Chapter L Deductions: Business and Investment Expenses, Travel & Entertainment' with 15 hits. The list includes items such as 'L-1100 What is a Trade or Business?' (2 hits), 'L-1400 Expenses for Production of Income' (1 hit), 'L-2500 Payment of Civil Judgments and Settlements' (1 hit), 'L-2900 Legal and Accounting Expenses' (4 hits), 'L-3900 Employees' Special Expenses' (1 hit), 'L-4200 Miscellaneous Expenses' (1 hit), 'L-4400 Which Taxpayer Is Entitled to Deduct Business and Investment Expenses?' (1 hit), 'L-5400 Treatment of Expenses Incurred in Connection With Reorganizations' (1 hit), 'L-5500 Dissolution and Liquidation Expenses' (1 hit), 'L-5600 Capital Expenditures' (1 hit), and 'L-5750 Expenditures to Acquire or Create Intangible Assets or Benefits' (1 hit). A search bar at the bottom contains the text 'bankruptcy legal' and buttons for 'Search' and 'Clear All'.

how many documents were found containing the keywords. Legal and Accounting Expenses (§ L-2900) has the most hits. Expanding this title leads to ¶ L-2922, Deductibility of fees incurred in connection with personal and business bankruptcy, which is the same document found using the keyword search and provided in Exhibit 6-5.

Index Search An Index Search was one of the most efficient search methods when tax services were available only in published form. The advantage of an index search is that the tax meanings of the words are considered as well as the context in which the words are found. This is because the individuals create indexes. The researcher has the ability to use the expertise of the indexer in locating the primary documents of interest. This advantage of indexes holds for the electronic services as well. Some researchers find it beneficial to start with an index search to help them identify effective terms for their general keyword searches.

An Index search can be started from two different points in the RIA Checkpoint service. The first method is to select Indexes under the Go To heading in the left window of the opening screen (see Exhibit 6-1). Only the Federal databases with indexes appear on the displayed screen. These services include the following.

- FTC 2d Topic Index
- Code Arranged Annotations & Explanations (USTR) Topic Index

- RIA's Federal Tax Handbook Topic Index
- Current Code Topic Index
- Final & Temporary Regulations Topic Index
- Proposed Regulations Topic Index

Once a database is selected, the researcher has two options. Clicking on the database will display a listing of the alphabet. From this screen the researcher can select a letter and continue to drill down until the specific topic of interest and the documents are located. This method is similar to using an index for a published service.

The other method for starting an Index Search is through the TOC. Federal Indexes is one of the options listed for TOC Searches. As with other TOC searches, a keyword search is possible with any of the indexes. However, the keyword search is restricted to the index entries. This differs from other keyword searches in that it is the index entries themselves, and not the underlying documents, that are being searched. For example, selecting the letters B and L within the FTC index, keywords *bankruptcy* and *legal* are searched. Under the letter L, four topics are listed, one of which is legal expenses. Clicking on this topic (shown in Exhibit 6-8) leads directly to ¶ L-2922. This is the same document found through the original Keyword and TOC searches. However, the Index Search took less time.

Exhibit 6-8: RIA Checkpoint Index Listing

The screenshot displays the RIA Checkpoint website interface. At the top, there is a navigation bar with 'Home', 'Research', 'Newsstand', 'Tools', and 'Practice Development'. A search bar is located on the right side of the navigation bar. Below the navigation bar, there are several tabs: 'Contents View', 'Search Tools', 'Document List', 'Outline', and 'Links'. The main content area is titled 'Legal expenses' and 'Federal Tax Coordinator 2d Topic Index'. On the left side, there is a 'Search Results' section showing a list of documents from '-L-' (Relevance Order - scores in parentheses):

- 1 [Legal expenses](#) (24)
- 2 [Losses See also "gain or loss"](#) (10)
- 3 [Limitation periods](#) (9)
- 4 [Liquidation](#) (1)

The main content area displays a list of legal topics with their corresponding document numbers and links:

- Legal expenses** [L-2900](#) et seq.
- ... accounting actions
- ... earnings and profits [L-2933](#)
- ... ownership of property, protection of [L-2910](#)
- ... acquisition of property [L-2908](#), [L-2909](#), [L-5702](#)
- ... adjusted gross income [A-2513](#)
- ... alimony [K-5169](#), [L-2952](#), [L-2963](#), [L-2965](#)
- ... allocation [L-2917](#) et seq.
- ... **bankruptcy**, personal and business [L-2922](#)
- ... community property [L-2923](#)
- ... methods of [L-2918](#) et seq.
- ... partnerships [L-2921](#)
- ... principal and interest [L-2924](#)
- ... royalty interests [L-2925](#)
- ... stock ownership [L-2920](#)
- ... time spent [L-2918](#)
- ... value of property [L-2919](#)
- ... antenuptial property agreement [L-2954](#)
- ... anti-trust suits [L-2935](#)
- ... appraisal and appraisal fees
- ... redemption of cancelled stock [L-2944](#)
- ... valuation of stock [L-2943](#)
- ... assault actions [L-2930](#)
- ... attorney's fees
- ... attorney's hourly fees or [U-1265](#)

At the bottom of the page, there are several utility icons: Print, Copy, E-mail, Save, Open, and Text. On the right side, there are navigation icons: Document, Contents, and Keyword.

Tax professionals familiar with search engines such as Google and Yahoo often are inclined to use a Keyword Search when an Index or TOC Search may be more efficient and effective. Experienced tax researchers tend to use TOC, index, and citation searches much more frequently as they develop their skills.

Citation Search

A third approach to electronic searches is a Citation Search. To perform a search by Code section or case name, choose a title under Find a Citation in the left frame of the opening screen (see Exhibit 6-1). Citation Searches can be performed on the Code, Regulations, cases, various IRS rulings, and IRS publications. If the type of document you wish to find is not listed in one of these options, the More ... heading contains an extensive list of documents that can be searched by citation. After selecting a type of document, Checkpoint provides templates for entering citations and examples for each template. These templates make entering a citation simple because the proper format is provided. Examples of Code and Case Searches are presented next.

Code Search Research Project 6-1 concerns the possibility of deducting the bankruptcy legal fees. The most likely reason for these legal fees to be deductible is that they are associated with a trade or business, that is, they fall under the umbrella of §162. Entering the section number in the template for Current Code retrieves the full text of §162, Trade or business expenses, as shown in Exhibit 6-9. On careful

Exhibit 6-9: RIA Checkpoint Code Document

The screenshot displays the RIA Checkpoint Code Document interface. The top navigation bar includes "Home", "Research", "Newsstand", "Tools", and "Practice Development". The main content area shows the title "§162 Trade or business expenses. Internal Revenue Code (RIA)". Below the title, there are navigation tabs: "Expl", "Annot", "FTC", "Regs", "Com Rpts", "Hist", and "AdvAnnot". The "AdvAnnot" tab is selected, and an arrow points to it. The main text area displays the following content:

§ 162 Trade or business expenses.

§ 162(a) FTC In general.
There shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including—

- **§ 162(1) FTC** a reasonable allowance for salaries or other compensation for personal services actually rendered;
- **§ 162(2) FTC** traveling expenses (including amounts expended for meals and lodging other than amounts which are lavish or extravagant under the circumstances) while away from home in the pursuit of a trade or business; and
- **§ 162(3) FTC** rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of **§ 162(e)(3)** which the taxpayer has not taken or is not taking title or in which he has no equity.

For purposes of the preceding sentence, the place of residence of a Member of Congress (including any Delegate and Resident Commissioner) within the State, congressional district, or possession which he represents in Congress shall be considered his home, but amounts expended by such Members within each taxable year for living expenses shall not be deductible for income tax purposes in excess of \$3,000. For purposes of paragraph (2), the taxpayer shall not be treated as being temporarily away from home during any period of employment if such period exceeds 1 year. The preceding sentence shall not apply to any Federal employee during any period for which such employee is certified by the Attorney General (or the designee

The left sidebar contains a "Contents View" with a tree structure of the document, including sections like "Federal Library", "Code, Regulations, Committee Reports & Tax Internal Revenue Code", "Current Code", "Subtitle A Income Taxes 551-1564", "Chapter 1 NORMAL TAXES AND SURTAXES", "Subchapter B Computation of Taxable Inc", "Part VI ITEMIZED DEDUCTIONS FOR IND", and a list of sections from §161 to §175. The "Contents" button at the bottom right of the sidebar is highlighted.

examination of Exhibit 6-9, you will see a symbol for the four compass directions. Placing the mouse pointer over or clicking on this symbol brings up a box in which the exact cite for the particular portion of the document is displayed. This small box is visible in Exhibit 6-9 for the §162(a)(3) paragraph. This unique feature is helpful when examining long Code sections or Regulations with complex paragraphing structures. If the researcher would like to know where the Code section fits within the *Internal Revenue Code*, the Contents View, in the left window, contains this information. As can be seen in Exhibit 6-9, the Contents view shows the exact placement by providing the subtitle, chapter, subchapter, part, and section number for the current Code section of interest.

Another useful feature offered in the left window is the Outline. This gives an outline of the Code section by listing the subsection titles and their associated letters. By clicking on the title, Checkpoint presents that part of the Code section on the screen. With Code sections like §162 that have numerous subsections (through subsection q), this is particularly helpful. It is easy to get lost as to where you are in sections that are as long as this one.

Using the Code section as the beginning point for identifying related documents is simplified by use of the buttons located above the Code section title and at each subsection or division thereof. These buttons will lead the researcher to explanations and annotations in the USTR (Expl and Annot), topical entries in the FTC, relevant primary sources (Regs and Com Rpts), history (Hist), and current developments (AdvAnnot and New Law Analysis). Through these links, the researcher eventually may find the relevant documents desired. However, relying exclusively on Code section searches may be more time consuming than contents or keyword searches when there are several Code sections involved in the research issue.

Case Search Unlike the other major services, Checkpoint allows the researcher to enter either the case name or its citation into one of the templates furnished (reproduced in Exhibit 6-10). This is quite convenient in situations such as ours for Research Project 6-1 when all we know is the name of the case. Entering the *Gilmore* name retrieves all of the court cases with Gilmore as a taxpayer. This produces over forty cases. Since we know that it is a Supreme Court case, we can use the Search Within Results tool to narrow the listed cases. Using the abbreviation for Supreme Court (S Ct) in the Keyword box substantially reduces the cases retrieved. Only one of these cases was decided in 1963.

In the case document listing, along with the proper citation for each case and its disposition, RIA lists the Code sections applying to the cases. The Code citations often help in identifying which case is relevant to the research project. Clicking on the case citation produces the full text of the case. The complete RIA citation is given as the title for the document and, again, the Code section applying to the case is listed. Since the *Gilmore* case is from 1963, we definitely should check this case through the Citator (using the citator button provided above the case name) to make sure that it is still valid law (see Chapter 8 for a detailed discussion of Citators). If we are interested in only newer cases, the Date Range Search, in the left window of the opening Screen (Exhibit 6-1), allows court cases to be searched using keywords with date restriction.

As was true for a Code section document, a case document may furnish entry into the tax services. The buttons offering annotations and explanations that appeared on the Code Section screen are also present on the Case screen. With these buttons, the researcher is led to the case's annotations in the USTR or explanations where the case is cited in the FTC service. Selecting either of these buttons leads to documents retrieved in the previous Keyword Searches.

Exhibit 6-10: RIA Checkpoint Case Templates

The screenshot displays the RIA Checkpoint website interface. At the top, there is a navigation bar with links for Home, Research, Newsstand, Tools, and Practice Development. A search bar is located in the top right corner. The main content area is titled "Find a Case by Citation" and includes several search categories:

- Search All Federal Cases by Case Name:** Example: Redlark. Input field: Case Name: [Redlark] Search
- American Federal Tax Reports:** Example: 97 AFTR 2d 2006-1626. Input field: [97] AFTR 2d [2006-1626] Search
- Tax Court Reported Decisions:** Example: 126 TC 96. Input field: [126] TC or T.C. No. [96] Search
- Tax Court Memorandum Decisions:** Example: TC Memo 2006-17. Input field: [TC Memo 2006-17] Search
- Tax Court Summary Opinions:** Example: TC Summary Opinion 2001-129. Input field: [TC Summary Opinion 2001-129] Search

On the left side, there is a sidebar with various search options: Search, Practice Area: Federal, Keyword Search, Find by Citation (Code & Regs, Cases, Rulings/IRB, IRS Pubs & Other Tax Docs, Citor: 2nd, More...), Date Range Search, Legislation Search, Go to (Form/Line Finder, Tables, Indexes, Tax Watch, USTR Code Section). At the bottom, there is a copyright notice: © 2007 Thomson/RIA. All rights reserved.

With a Citation Search, the text of a specific case, Code section, or other primary source is the end result of the search. Cite searches do not facilitate the retrieval of all documents that might be relevant to the research project. Case names or Code sections may be used as search terms in Keyword Searches to locate the relevant documents. It would be important in this type of search to include other keywords as well, to narrow the search and ensure that every document containing the case name or Code section number is not retrieved. These latter searches follow the same steps as any Keyword Search.

CCH TAX RESEARCH NETWORK

The Commerce Clearing House (CCH) Internet service, called **Tax Research NetWork** (NetWork), is visually quite different from RIA Checkpoint; however, the searching methods utilized with NetWork are similar to those applied in the Checkpoint section. The differences in the implementation of these methods will be illustrated in this section by again using Research Project 6-1. This will facilitate comparisons of the two tax services.

CCH is organized like a file cabinet with folder tabs for its major databases (see Exhibit 6-11). Since Network generally opens to the "My CCH" folder that

Exhibit 6-11: CCH Tax Research NetWork Federal-Opening Search Screen

CCH Tax Research NetWork Preferences | Help | Log Out

Search

Main Menu Clear Selections Research History Research Folders Check Citator Find by Citation Search Tools

My CCH Tax Tracker News Accounting & Audit **Federal Tax** State Tax State Business Income Tax Sales/Property Tax Financial & Estate Planning Wealth Management Tax Practice Areas Pension & Payroll International Tax perform plus III forms Client/Relate Capital Charges Tax Tools CPE Training & Support

Federal Tax

Current Features and Journals — Select All

Federal Tax Day Journal of Retirement Planning Federal Estate and Gift Tax Report Letter

CCH Federal Tax Weekly ADVANCE RELEASE Documents Tax Treaties Report Letters

TAXES - The Tax Magazine Federal Excise Tax Report Letter

Tax Legislation — Select All

CCH Legislation Newswire Tax Relief and Reconciliation Acts of 2006: Law & Explanation JCT Blue Books

Bills Worth Watching Law, Explanation and Analysis Books (1989-2006) CRS Reports and Other Studies (2003-2007)

CCH Tax Briefings Tax Bills and Reports: 110th Congress (2007-2008) Historical Legislative Documents (2003-2006)

Small Business and Work Opportunity Tax Act of 2007: Law & Explanation Major Tax Acts and Reports (1986-2007) Historical Legislative Documents (1954-2002)

CCH Explanations and Analysis — Select All

CCH Tax Research Consultant Fed Excise Tax Reporter Tax Practice Guides

Standard Federal Income Tax Reporter Tax Treaties Reporter Employee Benefits Analysis

Standard Federal Income Tax Reporter—Explanations U.S. Master Tax Guide Social Security Benefits Explained

Federal Estate and Gift Tax Reporter Practice Before IRS & Courts

Primary Sources — Select All

Current Internal Revenue Code Cases Internal Revenue Manual

Last 1954 Code Letter Rulings & IRS Positions (including TAMs) IRS Publications

contains current tax news, a folder must be selected before the researcher can begin searching. For Research Project 6–1, we will select the Federal folder and this will be the focus of the CCH section. The State and Sales Tax folders will be discussed in Chapter 9, and the International Tax tab is reviewed in Chapter 10.



SPOTLIGHT ON TAXATION

Tax Service History

The CCH service has been in existence since the first U.S. tax law was passed in 1913. Through this long history, CCH has become one of the most recognized publishers of tax products. In 1995, Wolters Kluwer, an international Dutch publishing corporation, acquired CCH from the majority shareholders, including the members of the Thorne family whose great-great grandfather founded the company. This \$1.9 billion takeover was the world's largest publishing acquisition at the time.

Keyword Search

As with RIA Checkpoint, CCH NetWork emphasizes keyword searching. The Keyword search box appears in the tools bar and therefore is available from every screen (see Exhibit 6-11). The Search Tools button associated with the Keyword box enables the researcher to customize word searches. With this option, the researcher may select from the following search methods: all terms (the default setting), any term, near (terms to be within twenty words of each other), exact phrase, or Boolean connectors. The number of documents retrieved can be set from 1 to 9,999 with the default at 50 (generally more than enough to examine). NetWork sorts the list of documents retrieved by relevance unless the researcher selects to display the list of documents based on the TOC of each database selected.

NetWork automatically applies a thesaurus to all the keywords. This may not be beneficial in all research situations as it can cause numerous unrelated documents to be retrieved. This feature may be turned off on the Search Tools screen. Recall that with RIA Checkpoint, the researcher must select which words the thesaurus suggests to be added to the Keyword Search. Thus, the application of the RIA thesaurus is not automatic like it is with CCH.

From this same Search Tools screen, the searched databases can be restricted by date or by type of document. The Search by Date restriction option is especially convenient when updating a previous research project. Accordingly, only the most current documents would be designated for searching.

Once the keywords and search options are entered, the databases within the folder must be selected. Within the Federal folder there is a variety of resource groups, composed of numerous databases, from which to choose. Only a small portion of the available databases is seen in Exhibit 6-11. Researchers have the option of selecting all the databases within a resource group or only those databases applicable to their project. If a researcher decides to change the selection, using the Clear Selections option in the toolbar removes all choices, and the selection process starts over again. This clearing includes the choices made on the Search Tools screen. The researcher can also just unmark the database boxes not desired.

To locate documents related to Research Project 6-1, CCH Explanations and Analysis and Primary Sources databases is selected (see Exhibit 6-11). Within the former database those services such as Federal Estate and Gift Tax Reporter and Federal Excise Tax Reporter, which would not be useful in this research, were deselected. The same selective process was applied to the Primary Sources databases. As with RIA Checkpoint, CCH NetWork editorial materials provide a topical service, **Tax Research Consultant** (TRC), that is similar to the FTC, and an annotated service, **Standard Federal Income Tax Reporter** (SFITR). However, unlike RIA, CCH's premier service is its annotated service. If the researcher is only interested in explanations, the SFITR—Explanations can be selected. This is an abbreviated SFITR service, which does not include the Code, committee reports, or annotations that are contained in the full SFITR.

The result of the search is a document list presented in order of relevancy. The presentation may easily be changed to a TOC ordering, as in Exhibit 6-12, by selecting this option in a pull-down menu available (upper right). The TOC display is very helpful, as it organizes the results to make it easier to see at a glance which documents are not relevant to the research project based on the TOC titles. Clicking on the TOC titles expands the list to the individual documents. Examining Exhibit 6-12, the list is expanded to the relevant document in the CCH TRC. This is much more efficient than reading through the fifty document titles in the relevancy list. Notice that at the top of the document list screen, all of the terms

Exhibit 6-12: CCH Tax Research NetWork Table of Contents View

The screenshot displays the CCH Tax Research NetWork interface. At the top, there is a search bar containing the text "bankruptcy legal fees" and a "Search" button. Below the search bar, there are navigation options: "Main Menu", "Clear Selections", "Research History", "Research Folders", "Check Citator", "Find by Citation", and "Search Tools". The main heading is "Search Results — Table of Contents View". A dropdown menu is set to "Display by Table of Contents - Hits Only". Below this, a note states: "Clicking this icon ([tree icon]) displays search results under that topic." The "Terms Searched For:" section lists: "attorney fee, bankrupt, bankruptcy, insolvency, insolvent, lawyer fee, lawyer fee and expense, legal expense, legal fee, title 11. 53 documents matched your query." The primary category is "Federal Tax". Underneath, there is a section titled "CCH Explanations and Analysis — Select All" with a "Collapse All" link. A tree view shows the following structure:

- CCH Tax Research Consultant[53]
 - Individuals: Income Taxes[4]
 - Entities: C Corporations[1]
 - Entities: LLCs[1]
 - Business: Deductions and Credits[12]
 - BUSEXP: 3,000 Ordinary and Necessary Expenses in Carrying on a Trade or Business[1]
 - BUSEXP: 9,000 Capitalized Expenditures[1]
 - BUSEXP: 12,000 Expenses for Production of Income[2]
 - BUSEXP: 18,000 Specific Types of Business Expenses[2]
 - BUSEXP: 18,050 Legal and Accounting Expenses[2]
 - BUSEXP: 18,052 Deductible Legal and Accounting Expenses[2]
 - CCH-EXP, TAX RESEARCH CONSULTANT, BUSEXP: 18,052.05 Legal and Accounting Expenses of Conducting Business [1]
 - CCH-EXP, TAX RESEARCH CONSULTANT, BUSEXP: 18,052.10 Business Versus Personal Legal and Accounting Expenses[1]
 - BUSEXP: 30,000 Losses: Generally[2]
 - BUSEXP: 45,000 Net Operating Losses[1]
 - BUSEXP: 48,000 Bad Debts[3]
 - Business: Filing Returns and Paying Taxes[2]
 - Employers: Payroll Tax Reporting[1]
 - Sales: Sales and Exchanges[3]

searched are listed alphabetically, including those added by the thesaurus. For our search, the terms *attorney fee*, *bankrupt*, *insolvency*, *insolvent*, *lawyer fee and expense*, *legal expense*, and *title eleven* were added.

Citation and Contents Searches

Citation To search by Code section, case name, or other primary source, the researcher uses the Find by Citation option visible at the top center of all NetWork screens (see Exhibit 6-11 and Exhibit 6-12). This option offers templates for every type of primary and secondary source available through NetWork. If the complete citation is known, it can be entered in CCH recognizable format in the citation general box; otherwise, one of the citation templates is completed. Unlike RIA Checkpoint, names of cases may not be entered in the templates. Fortunately, if only the name of the case is known, the proper citation for a case is obtainable by selecting the Check Citator option (next to Find by Citation) and entering the taxpayer's name (see Exhibit 6-12).

TOC NetWork does not have a separate button or folder for TOC searches. Rather, a database content search begins by clicking on the *title* of the database of interest. The next screen will furnish the TOC for the database. Continue to drill down in the same manner as in RIA Checkpoint until the documents of interest are found. As with RIA, a keyword search can be instigated at any point of the

drill-down by marking boxes in front of databases. The same documents can be located using this method as were retrieved using only a keyword search.

Similar to RIA, NetWork, the documents offer hyperlinks to primary sources and provide buttons to access the Code, Regulations, CCH Annotations, CCH Explanation, and Related Topics, as seen in Exhibit 6-13. The Related Topics button yields a list of documents that would appear under the same heading in the indexes available in the CCH service. These documents will vary greatly as to their applicability to the research project at hand. To jump to the next (or previous) document from the search results list, the researcher may click on the Search Results icons. To browse the materials that would be in close proximity to your document if it were in a printed service, select the icons for Nearby Documents. This option gives the ability to “flip through the pages” of the service. Finally, to find the first point at which one of the keywords appears in the document, use the icon for first term. To return to the document list, click on the List icon under Search Results, and to get back to the opening search screen, click on Main Menu in the top left corner. All of these options are illustrated in Exhibit 6-13.

Index At the bottom of the Federal opening screen, the Topical Indexes list all the services with indexes. The index entries can be searched using the keyword search method. Instead of using keywords, the researcher drills down through an index of the selected service in a manner similar to that used with the TOC.

Exhibit 6-13: CCH Tax Research NetWork Document

CCH Tax Research NetWork Preferences | Help | Log Out

Search: bankruptcy Search

Main Menu Clear Selections Research History Research Folders Check Citator Find by Citation Search Tools

Search Results (00 of 39) Previous Next List 1st Term

Nearby Documents Previous Next

Research Folder Last Folder Add

Store Document Export Print Mail

Save Link Link Express Favorite

CCH-EXP, 2007FED ¶8526.05, Legal and Litigation-Related Expenses: Capital v. Ordinary Expenses: Dissolution expenses

Federal Tax - CCH Explanations and Analysis - Standard Federal Income Tax Reporter - Deductions --Secs. 161-249 - Itemized deductions --Secs. 161-214 - Trade and business expenses (travel, entertainment, legal, employees' expenses, rent, repairs) --Secs. 161, 162 - CCH-EXP, Legal and Litigation-Related Expenses - CCH-EXP, Capital v. Ordinary Expenses -

CCH-EXP, 2007FED ¶8526.05, Legal and Litigation-Related Expenses: Capital v. Ordinary Expenses: Dissolution expenses

IRC Regulations CCH Annotations Current Developments Related Topics

Legal and Litigation-Related Expenses: Capital v. Ordinary Expenses: Dissolution expenses

Attorneys' fees and other expenses incurred in connection with the complete liquidation of a corporation are deductible as business expenses (¶8526.4295). The expenses are deductible because they do not concern the creation or continuation of a capital asset.

Special rules apply for determining the tax year in which the costs are deductible. See ¶21,817.29 and ¶21,817.364.

Sale of capital assets. Legal expenses sustained in a liquidation sale of capital assets are considered nondeductible business expenses. Instead, they are treated as an offset in determining gain or loss on the sale (¶8526.4296). Brokers' commissions, accountant's fees and other administrative costs that may be incurred incidental to the sale are treated similarly (¶8526.4296).

Partial liquidation. Expenses that pertain to the distribution of assets in a partial liquidation are deductible business expenses (*Tobacco Products Export Co.*, Dec. 19, 2008 (Nonacqu.), ¶8526.43). However, attorneys' fees incurred in relation to a partial liquidation must be properly divided between the liquidation expenses and the expenses incurred for a recapitalization of the corporate structure (*Mills Estate*, 53-2 USTC ¶19525, ¶8526.43). Only those fees that relate to the partial liquidation are deductible.

Expenses incurred to facilitate a divisive transaction must be capitalized, see ¶8526.046.

Post liquidation. Payments of legal fees incurred by former shareholders of a dissolved corporation or by those who acquire assets of such a corporation have been held to be deductible (¶6526.4302).

Bankruptcy. In contrast to the treatment of dissolution expenses, reorganization expenses do not qualify as deductible business expenses because the expenses are connected to the continuation of a capital asset (See ¶13,709.63 and ¶13,352.72).

Reg. §1.263(a)-5(a)(4) specifically requires that a taxpayer capitalize amounts paid to facilitate a restructuring, recapitalization or reorganization of the capital structure of a business entity. This rule covers reorganizations under Code Sec. 368 and stock distributions under Code Sec. 355, as well as <bankruptcy> reorganizations. See ¶8526.048 and ¶13,709.17 for a discussion of these rules.

The statements in the RIA Checkpoint section regarding the usefulness of this searching method apply to CCH NetWork as well. Remember that indexes are created by individual employees of the publisher, and how one person would index a topic can be different from how another would. Topics may be indexed in RIA differently than they are in CCH.

ATX/KLEINROCK

ATX/Kleinrock Publishing (Kleinrock) was originally known for its affordable, easy-to-use **Federal TaxExpert®** that was available on CD-ROM. It contained nearly a GB of tax law sources on a single CD. Thus, not only was it comprehensive, it was also very portable. Kleinrock now supplies Internet access to its TaxExpert® service, while still offering the CD version, and it still provides both at very affordable rates. Besides this Federal service, Kleinrock offers many other products, such as the Federal Tax Bulletin, multi- and individual state tax services, employment tax service, and a full range of compliance products. Kleinrock had filled a niche so successfully that in 2006 it was acquired by Wolters Kluwer NV to become part of the CCH business offerings. At the time of its acquisition it had over 48,000 subscribers. Since CCH is offered through LexisNexis, Kleinrock is one of the services available as part of the Tax Center database.

Kleinrock's Federal service includes twenty-five volumes of analysis and explanations that are similar to the CCH and RIA editorial tax services included in NetWork and Checkpoint. In addition, Kleinrock provides access to full-text primary sources such as the Code, Regulations, IRS pronouncements and publications, private letter rulings, Technical Advice Memorandums, and Federal tax cases (including Tax Court Memorandums). With the service, the subscribers receive bi-weekly issues of the *Federal Tax Bulletin* by e-mail. The CCH *U.S. Master Tax Guide: Kleinrock Edition* is also sent in printed form and available online to the subscribers of TaxExpert®.



SPOTLIGHT ON TAXATION

Freedom of Information Act

The **Freedom of Information Act (FOIA)**, 5 USC §552, gave the public the right to access IRS records unless they are protected from disclosure. Under this provision, taxpayers have access to the nonpublished documents issued by the IRS such as Private Letter Rulings and Technical Advice Memorandums. The FOIA applies to records created by Federal agencies, yet records held by Congress and the courts are exempt. State and local government agencies are under each state's own public access laws.

The IRS complies with the FOIA by:

- Maintaining publicly available materials on the Internet in the IRS Electronic Reading Room of www.irs.gov
- Staffing the IRS Public Reading Room at 1111 Constitution Avenue, NW, Washington, D.C. 20224 [call (202) 622-5164]
- Responding to written requests for agency records not available in the Reading Room

Many IRS records are available for sale from the Government Printing Office. (<http://www.gpo.gov/>)

TAX PERIODICALS

Tax periodicals contain a variety of articles and news briefs that are designed to keep readers relatively knowledgeable of developments in specific or general areas of the tax law. These articles might contain, for example, an in-depth review of a recently decided court case, a broad analysis of the factors that should enter into the practitioner's decision on whether to make a certain tax accounting election, or a call for reform of a statute by a neutral (or biased) observer. Tax articles can suggest new approaches to tax problems, give guidance for solving complex problems, or just explain a new law in a readable form. All of these resources are very useful to tax practitioners.

With an article that is right “on point” with tax issues, the practitioner is able to, in effect, use the author of the article as a research associate by capitalizing on the author's expert judgments and references thereby saving hours of research time. Keep in mind, however, that tax periodicals are secondary sources of the tax law and therefore should not be cited as a controlling authority, especially when primary sources supporting the position are available. The article's references can lead the practitioner to the pertinent primary tax sources. With that caveat aside, researchers who ignore the tax periodicals might be accused, at best, of reinventing the wheel and, at worst, of professional malpractice.

Traditionally, citing articles in professional tax research is limited to two situations: (1) if the researcher is referring to the author's analysis and conclusions as stated in an article; and (2) if the researcher cannot find any controlling primary sources of law and a secondary source addresses the issues. Tax articles are now being cited more frequently in case opinions than was true in the past. When they are lacking both the appropriate primary law sources and adequate judicial staff, the authors of these case opinions may draw on tax articles to support the views of the court. In any event, it is imperative that researchers understand the practical implications of using secondary law sources.

Citing Articles

A citation to a printed tax journal article should take the following standard form.

Banoff, Sheldon I., and Richard M. Lipton. 2007. Is Wikipedia Good Authority in the Tax Court? *Journal of Taxation* 106 (4): at 257.

Notice the proper placement of capital letters, periods, and commas in the citation. The denotation “at 257” indicates that the researcher is referencing or quoting from a specific portion of the article. If the entire article were being referenced, the citation would merely contain the beginning page number of the article. For the citation above, this would be “... (4) 256.”

Unfortunately, the proper citation for articles found on the Internet is not as well established as for printed materials. A problem that complicates the matter is deciding how to characterize the Internet material to be cited. For example, is the material a journal article, a newsletter, a report, or a blog; who is the author, when was the resource generated? Once all this information is deciphered (and deciphering this may not be easy), a generally safe citation format to follow is that of a printed document with additions or deletions as necessary. The following would be an acceptable format for a journal article found on the Internet.

Browne, Marlene M. 2007. When Bankruptcy Meets Divorce. Forbes.com (May 5). Retrieved June 28, 2007 at http://www.forbes.com/personalfinance/taxes-estates/2007/05/03/divorce-bankruptcy-debt-pf-estates-in_mb_0503money_inl.html

Site addresses on the Internet are generally case and punctuation sensitive. Therefore, one should ignore normal grammar rules when providing uniform resource locators (URLs) and place no punctuation (such as a period or a comma) at the end of a URL. It is important to indicate the date on which the document was retrieved, because documents and web site URLs may change or be removed over time.

Types of Periodicals

Tax periodicals can be categorized according to the depth of the coverage of their articles and the audience for which they are written. From the most extensive coverage to the least, they can be listed as follows.

- Annual proceedings
- Scholarly reviews
- Professional journals
- Newsletters

Although each publication has unique attributes, several general characteristics of each category will be identified. This discussion provides an initial introduction to the broad market of secondary source tax commentary.

Annual Proceedings A number of annual conferences for tax practitioners and academics are conducted every year. Usually sponsored by a professional organization, law school, or educational agency, these conferences generally last from two to five days. The agenda at these conferences may include any of the following: lectures, paper presentations with or without discussion, panel discussions, seminars, demonstrations, and luncheon addresses. Often, the conference speakers allow the sponsoring agency to publish their presentations as proceedings of the meeting. These **annual proceedings** are distributed to the participants at the conference, and later to the general public in the form of a collection of articles. Most of these papers exhibit considerable depth of coverage and practical insight by the authors. They can be a valuable resource for the tax researcher. A few of the more established tax conferences include the following.

- New York University Institute on Federal Taxation had its first annual meeting in 1942.
- Penn State Tax Conference was established in 1946.
- University of Chicago's Annual Federal Tax Conference first met in 1947.
- University of Southern California's Tax Institute (formerly Major Tax Planning Institute) began in 1948.
- Tulane Tax Institute started in 1952.

The proceedings and indexes to these conferences are widely available. For example, CCH publishes the proceedings of the University of Chicago's Annual Federal Tax Conference as the March issue of *Taxes—The Tax Magazine*.

While some conferences select different areas of tax each year as the theme of the meetings, other annual conferences focus on a specialized area year after year. Examples of specialized tax conferences include the Nonprofit Legal and Tax Conference held in March in Washington D.C.; the Institute on Oil and Gas Law, which meets in Texas; the Great Western Tax and Estate Planning Conference of the National Law Foundation held in Las Vegas; the Asian Development Bank

Organization's International Taxation Conference held in Japan; and the University of Miami Law Center's Heckerling Institute on Estate Planning, held each January in Miami Beach.

Scholarly Reviews All major law schools and a few business schools produce publications referred to as **law reviews** or **academic journals**. These publications are edited either by faculty members or by graduate students under the guidance of the school's faculty. Most law reviews also use an outside advisory board comprised of practicing attorneys and law professors at other universities to aid in selecting and reviewing articles. The articles appearing in these **scholarly reviews** are usually written by tax practitioners, academics, graduate students, or other noted commentators.

Some law schools produce journals that are limited to a specific area of law, such as constitutional or labor law, in addition to the regular multitopic law reviews. Most of the general law reviews feature one to three tax articles per year; however, some law reviews are dedicated exclusively to tax matters. The following are several of the law reviews that concentrate on taxation issues.

- *Akron Tax Journal* by University of Akron School of Law
- *Ohio Tax Review* by Capital University Law & Graduate Center
- *Florida Tax Review* by University of Florida College of Law
- *Tax Law Review* by New York University School of Law
- *The Tax Lawyer* and *The State and Local Tax Lawyer* by Georgetown University and the ABA.
- *Virginia Tax Review* by University of Virginia School of Law

Besides law schools, academic organizations such as the National Tax Association (NTA) and the American Taxation Association (ATA) publish scholarly journals. The articles appearing in the *National Tax Journal* (NTJ), and the papers from the NTA annual symposium tend to take an analytical or mathematical approach to identifying the broad economic and social implications of taxation on the population.

The ATA, a subdivision of the American Accounting Association, publishes two regular issues of *The Journal of the American Taxation Association* (JATA) and, like the NTA, the ATA prints a special supplement containing the papers presented at its yearly national conference. This journal is a research publication that offers a combination of taxation articles that employ (1) quantitative or analytical, (2) empirical, or (3) theoretical methodologies in analyzing issues considered of interest to the academic tax community.

Professional Journals A wide variety of tax journals is published for the purpose of keeping tax practitioners abreast of the current changes and trends in the tax law. This category of journals, commonly referred to as **professional journals** or **practitioner journals**, includes publications by professional organizations as well as commercial companies. Examples of the former are the AICPA's *Tax Adviser*, the National Association of Tax Professionals' *TAXPRO*, and journals published by state CPA or law societies.

Because the commercial publications are numerous, the tax coverage of these journals can accommodate the needs of the general tax practitioner and those who specialize in a specific area of tax law. For example, journals such as WG&L *Journal of Taxation* and *Practical Tax Strategies* or CCH's *Taxes—The Tax Magazine*

cover a variety of tax areas, whereas journals such as BNA Tax Management's *The Compensation Planning Journal* or WG&L *Journal of Taxation of Investments* cover single topics. Further, the articles appearing in these journals also vary greatly in their coverage from very complex with an exceedingly narrow focus to extremely practical "how to" articles designed for immediate implementation. Since the editors of most professional journals presume that their readers have access to little, if any, other current tax resource material, any major change in the tax law or important Court tax decision spawns numerous articles in the various periodicals on the same or similar topics.

To accommodate the tax practitioner's need for timely information, most of the multitopic tax journals are published monthly, whereas the more specialized tax journals tend to be issued on a quarterly basis. Practitioners with subscriptions to Internet services may obtain their journals through their online services. For example, a subscriber to RIA Checkpoint may add subscriptions to the WG&L journals. The journals ensure the quality of their articles by accepting solicited and unsolicited articles prepared by appropriate tax experts. In each case, an editorial review board assesses the timeliness, accuracy, and readability of each article before it is accepted for publication.

Newsletters The major tax services include a **tax newsletter** as part of their service. The Internet services tend to have daily newsletters, whereas the published services send the newsletters weekly. These newsletters help the subscriber keep abreast of important tax law developments. They are designed to give the practitioner both a capsulated summary of tax law modifications and a reference to the paragraphs in the compilation materials that contain a more detailed analysis. Some of these newsletters also publish information concerning tax seminars and professional meetings, short reviews of (or citations for) selected current tax articles, and editorial highlights concerning recent tax developments. Several of the most popular commercial tax newsletters are listed in Exhibit 6-14.

RIA Opening the RIA Newsstand folder in Checkpoint generates the daily RIA Updates. On this screen, the practitioner may access the most recent news briefs for the following services.

- RIA Tax Watch
- Federal Tax Updates
- State & Local Tax Updates
- International Tax Updates
- Corporate Finance Updates
- Current WG&L Journals

The RIA Tax Watch specifically reports tax legislative developments. Infrequently it will also contain articles by expert practitioners, giving commentary on various aspects of proposed and potential tax legislation. Another RIA daily news service is Tax Alerts (listed with the editorial materials on the search screen). This service covers current tax developments affecting compliance issues. Besides supplying the news, it indicates which form(s) may be affected by the tax news, recommends actions to be taken for clients, and provides links to related materials in Checkpoint. It even contains a database of client letters, prepared to explain a specific recent tax event.

Exhibit 6-14: Selected Tax Newsletters from Major Publishers

Title of Newsletter	Frequency	Publisher
<i>Daily Tax Report</i>	Daily	Bureau of National Affairs
<i>Federal Daily Tax Bulletin</i>	Daily	Kleinrock
<i>Federal Tax Bulletin</i>	Biweekly	Kleinrock
<i>Federal Tax Day</i>	Daily	Commerce Clearing House
<i>Federal Taxes Weekly Alert</i>	Weekly	Research Institute of America
<i>Focus on Tax</i>	Monthly	Commerce Clearing House
<i>International Taxes Weekly</i>	Weekly	Research Institute of America
<i>Multistate Tax Report</i>	Monthly	Bureau of National Affairs
<i>RIA Tax Watch</i>	Daily	Research Institute of America
<i>State & Local Taxes Weekly</i>	Weekly	Research Institute of America
<i>State Tax Notes Today</i>	Daily	Tax Analysts
<i>State Tax Notes Weekly</i>	Weekly	Tax Analysts
<i>State Tax Day</i>	Daily	Commerce Clearing House
<i>Tax News Headlines</i>	Daily	Commerce Clearing House
<i>Tax Notes</i>	Weekly	Tax Analysts
<i>Tax Notes International</i>	Weekly	Tax Analysts
<i>Tax Notes Today</i>	Daily	Tax Analysts
<i>Tax Tracker News</i>	Daily	Commerce Clearing House
<i>Tax Watch</i>	Quarterly	Tax Foundation
<i>TM Memorandum</i>	Biweekly	Bureau of National Affairs
<i>TM Weekly Report</i>	Weekly	Bureau of National Affairs
<i>Weekly State Report</i>	Weekly	Bureau of National Affairs
<i>Worldwide Tax Daily</i>	Daily	Tax Analysts

CCH Tax news is so important to CCH that the opening screen for Tax Research NetWork is My CCH. The Tax Tracker News appearing in My CCH can be personalized to focus on those areas of the tax law that are of particular interest to the practitioner. This time-saving feature alerts practitioners to tax law changes in their area of specialization, without requiring that they wade through all news articles for the day. The specialization can be for state news as well as Federal, as both are provided in Tax Tracker.

Other news sources furnished on My CCH are Today's Tax Highlights and Tax Briefing Special Reports. Today's Tax Highlights contains a combination of Federal and state tax news. The number of news briefs varies from day to day with usually far fewer on the weekends. The Tax Briefing Special Reports are more specialized articles on topics such as new tax acts or multistate issues.

Locating Relevant Tax Articles

The numerous published and computerized indexes available to tax researchers facilitate locating tax, business, and law journal articles that are pertinent to their research. However, the **CCH Federal Tax Articles** (FTA) and the **WG&L Index to Federal Tax Articles** (IFTA) are the two indexes specifically designed for locating tax articles. Unfortunately, both of these indexes are offered only in print and are not available on the Internet. There are also very useful periodical Internet indexes, such as ProQuest (ABI/INFORM), that can be employed in finding

accounting and tax periodicals. Depending on the subscription, these search programs index thousands of periodicals, including most of the accounting professional and academic publications. Most Internet indexes focus on a Keyword Search strategy and allow the researcher to determine the connectors (and versus or) among the words or phrases. Since these indexes are not exclusively for tax research, they will not be covered here.

CCH FTA The FTA index, published by CCH, has many outstanding features that make it one of the best tax indexes available. Because the FTA is only available in a published format, it is not offered as part of the CCH online tax service. This is frustrating for the subscribers to the CCH Tax Research Network, as the FTA would be most useful in an electronic format.

The FTA is known for the concise abstracts it furnishes for each article cited in the index. Reading these abstracts helps the practitioner reduce the false starts that commonly occur when trying to find pertinent articles based solely on their titles. The framework for organizing these abstracts is the *Internal Revenue Code*. This organization also facilitates finding articles addressing the Code section under investigation by the researcher. CCH updates this index monthly so the citations are timely. Because the FTA current volume is a loose-leaf service, the updates provide new pages that either replace existing pages or are added to the contents of the volume. Besides listing the filing instructions for the new pages, the Report Letter presents the highlights of the most interesting new developments, seminars, and tax conferences.

Prior to 2004, twice a year the updates were consolidated and assigned new paragraph numbers. The biyearly sections were maintained separately. Therefore, the researcher desiring articles published in the past three years would have to review as many as six sections of listings. Every four to seven years, the CCH cumulative biyearly reports fill the loose-leaf volume and require the start of a new volume. At this time the various indexes are consolidated for the entire period. As of 2004, each new update integrates all prior article summaries. Thus, there are not separate sections of biyearly summaries. This makes the current loose-leaf binder easier to use, and the researcher needs to look in only one place for articles on a particular Code section. In the bound volumes (prior to 1990), the cited articles with their abstracts are arranged alphabetically by title under each Code section heading. The article citations are preceded by a new paragraph number that is tied to the Code section. Subsequently, a new loose-leaf volume is issued for articles that are published after the issuance of the bound volume.

Approximately 250 journals, law reviews, papers, and proceedings are included in the index. The topics covered in the FTA include Federal income, excise, estate, gift, and employment taxation. The main division of the index, called Articles by Code Section, gives the full citation for each article and its abstract. This cumulative index gives Code section numbers with a brief description of the section as its headings.

Articles can also be located by using the topic and author indexes. Each of these indexes refers the researcher to the "Articles by Code Section" division, through a system of paragraph numbers. These paragraph numbers are located at the outside bottom corner of the pages. The numbers at the top of the pages are used solely for filing and should not be confused with the paragraph numbers. In the bound volumes, the index's main citation number (i.e., to the left of the decimal point) provides the Code section paragraph number, and the numbers to the right of the decimal point refer to the specific article abstract. The paragraph numbers for abstracts in the current binder have no relation to the Code section number.

As previously mentioned, the FTA is only available in print. As the loose-leaf volume accumulates years of monthly updates, it becomes more cumbersome to use. As with any published services, additions to the services processed by editors are printed, shipped, and then filed by the practitioner or an employee. This can result in a substantial time lag, especially if the updates are not filed on a timely basis. Further, there is the likelihood of human filing errors—and a page misfiled is information lost to the researcher. Providing this service online would eliminate these problems with using the FTA.

WG&L IFTA The WG&L IFTA provides citations and occasional summaries for articles covering Federal income, gift, and estate taxation or tax policy that appear in more than 350 periodicals. The index surveys not only traditional tax journals, but also law reviews, major annual tax symposia, and certain economics, accounting, and finance journals. The IFTA is issued in bound quarterly volumes and includes permanent accumulations of references for the older periods. A paperback cumulative supplement augments the main index volumes. Because the supplements are cumulative, the researcher need only consult one supplement for recent articles.

Unlike the CCH index, both the topic and the author indexes contain full article citations. Using the full citations in the author index, the researcher can identify other current articles by the same author pertaining to a specific topic. Authors with several articles on the same topic are more likely to have an expertise in that field, and, thus, their analysis may be more effectual. Further, the custom of listing citations for each author and topic heading in reverse chronological order (rather than in alphabetical order) expedites finding the most recent publications.

The IFTA contains a user's guide that provides the following: explains how to use the index; lists the more than 1,500 topical index subject headings; supplies a key to abbreviations of periodical titles; and, lists the periodicals included in the first three volumes. Further, each cumulative volume and the current supplement also list not only the periodical titles but also the volumes and issue numbers covered by the supplement.

Whereas every citation in the CCH index is accompanied by an abstract, only articles judged by the WG&L compilers and Editorial Advisory Board to be of special interest are furnished with a brief summary in the IFTA. Very few articles receive this distinction.

SUMMARY

There are many commercial tax services available, and no one service is the best for all practitioners. While the services provide different features, all are most efficient when the organization of the service matches the issues in a client's tax situation. Thus, each tax service has its place in tax research, and practitioners must determine with which products they are most comfortable and which fit the research requirements of their firm. Changes in technology and the tax services happen on a continuous basis. The same changes occur in the practitioner's

business. Consequently, the practitioner's comfort level with products and technology and the research needs will change over time. Practitioners should evaluate their tax resource choices often, at least once a year when it is time to renew their services.

The tax researcher should employ tax services as gateways to the primary sources and not as a substitute for primary source research. Tax services can make the research process more efficient and productive, but should not replace thorough review of primary sources and professional judgment.

Tax journals and other periodicals not only help researchers locate primary sources of the tax law, but they also enlighten the researcher as to other ways of analyzing a tax issue. Tax articles can synthesize information from the Code, Regulations, and pertinent court cases into a more logical presentation. These articles may help the practitioner

identify relevant tax issues or precedents during the research process or in preparing for litigation on a client's behalf. Finally, such publications are an integral part of the means by which the tax professional remains current with respect to the evolution of the Federal tax law.

TAX TUTOR

Reinforce the tax research information covered in this chapter by completing the online tutorials located at the *Federal Tax Research* web site: <http://academic.cengage.com/taxation/raabe>

KEY WORDS

By the time you complete this chapter, you should be comfortable discussing each of the following terms. If you need additional review of any of these items, return to the appropriate material in the chapter or consult the glossary to this text.

Academic journals
Annotated tax services
Annotations
Annual proceedings
CCH Federal Tax Articles
Checkpoint
Compilations
Federal Tax Coordinator
Federal TaxExpert®
Freedom of Information Act
Law reviews

Practitioner journals
Professional journals
Scholarly reviews
Standard Federal Income Tax Reporter
Tax newsletter
Tax Research Consultant
Tax Research NetWork
Topical tax services
United States Tax Reporter
WG&L Index to Federal Tax Articles

DISCUSSION QUESTIONS

1. What is the function of commercial tax services?
2. Compare and contrast the general format of an annotated tax service with that of a topical tax service.
3. Why would a practitioner need a tax service when most primary tax sources are available for free on the Internet?
4. Internet services tend to be updated on a daily or continuous basis, therefore they are current up to the minute. Comment on this statement.
5. Formulating the research question is an iterative process. Once it is refined in its final state, will the researcher be able to find a solution to the tax question?

6. What is the key to effective tax research?
7. With what type of tax service documents should practitioners start if they are unfamiliar with the topic being researched?
8. Why is it important for you to actually try research projects with the various tax services?
9. Discuss whether it is likely that the appearance of the tax services as presented in the text is going to differ from what is available to you. How will this influence the effectiveness of the methodology presented in this chapter?
10. The fact that a tax service located a document and placed it high on the relevance list means you can assume it is still valid law. Comment on this statement.
11. What are the three methods for starting a research project with an electronic service? Which does RIA emphasize?
12. Explain how RIA Checkpoint makes Keyword Searching appear as easy as 1, 2, 3.
13. What functions do “Modify Search” and “Search Within Results” perform in RIA Checkpoint?
14. Explain the functions of the following special symbols in a keyword search in RIA Checkpoint: /s, “ ”, *.
15. Which annotated and topical tax services are included in RIA Checkpoint?
16. How does the thesaurus function work in RIA Checkpoint?
17. What is the purpose of the Contents View in RIA Checkpoint?
18. How do you perform a TOC search in RIA Checkpoint?
19. What are the two options for conducting an index search in RIA Checkpoint?
20. What is the function in RIA Checkpoint of the directional symbol (compass) found in reproduced Code sections or Regulations? Why is it useful?
21. How does RIA Checkpoint differ from other services with regard to case searches?
22. Which annotated and topical tax services are included in CCH Tax Research NetWork?
23. What is the difference in the application of the thesaurus in RIA Checkpoint and CCH Tax Research NetWork?
24. Explain the differences in conducting a TOC search using RIA Checkpoint and CCH Tax Research NetWork.
25. How is ATX/Kleinrock’s TaxExpert® different from the other tax services discussed in this chapter?
26. What is the FOIA and how does it apply to IRS documents?

27. How can finding an article on-point with a practitioner's tax issue be like hiring someone to do the research?
28. Why are tax journals and newsletters generally not cited as authority in professional tax research? When would it appropriate to cite tax journals or newsletters as authority in professional tax research?
29. What does the denotation "at 407" indicate in a tax journal citation?
30. Briefly describe each of the following.
 - a. Annual proceedings
 - b. Scholarly reviews
 - c. Professional journals
 - d. Newsletters
31. Give the names of two academic organizations that publish scholarly journals. What are the titles of the journals they publish?
32. *Taxes—The Tax Magazine* publishes the conference proceeding from what annual meeting?
33. What type of articles would you expect to find in *Tax Advisor* versus the type you would expect to find in *Journal of Limited Liability Companies*? Which one of these would you expect to be published monthly and which quarterly?
34. How do newsletters of major tax services tie their stories to their service's editorial materials?
35. How is the news service on CCH's Tax Research NetWork different from RIA's Checkpoint news service?
36. What is the major obstacle to using either the CCH FTA or the WG&L IFTA?
37. What is one of the most outstanding features of the CCH FTA that is not available with most other journal indexes? How does the organizational framework of the CCH FTA differ from that of the WG&L IFTA?
38. What are three methods that can be used to locate articles in the CCH FTA? Can these same three methods of locating an article be used with the WG&L IFTA? Explain your answer.
39. How frequently are the journal indexes FTA and IFTA updated?
40. On what electronic services are the journal indexes FTA and IFTA offered?

EXERCISES

41. Use the RIA Checkpoint Federal opening screen to answer the following questions.
 - a. Expand the FTC by clicking on the + before the title. What are the sub-headings listed?
 - b. What is the earliest Congress listed in the legislation materials available?

- c. What templates are available in the Form/Line Finder?
 - d. What are the Practice areas available in Checkpoint?
42. Use the RIA Checkpoint to answer the following questions.
- a. What templates are available in the IRS Pubs & Other Tax Docs?
 - b. What type of documents may have the Date Range Search applied to them? What are the oldest available dates for these documents?
 - c. What tables are available in the “i-Tables” tool?
 - d. Expand the IRS Rulings and Releases (RIA). What is the oldest available Revenue Ruling?
43. Use the RIA Checkpoint Indexes in the left window of the Federal opening screen to answer the following questions.
- a. What Federal editorial materials have indexes?
 - b. In the FTC Topic Index, determine what paragraph addresses the deductibility of false teeth.
 - c. In the Current Code Topic Index, determine what Code section discusses the depletion of Kyanite.
 - d. In the Code Arranged Annotations & Explanations (USTR) Topic Index, determine which paragraph discusses rental pools.
44. Use the Home & Tool Tabs in RIA Checkpoint to answer the following questions.
- a. What are the different windows shown on the Home Tab?
 - b. With the savings tool found on the Tool Tab, determine how much you need to start saving now (based on your current age) to have \$1 million when you are sixty-five. Use an expected rate of return of 6 percent and expected inflation rate of 2.5 percent. Repeat the process adding ten years to your current age.
 - c. With the auto tool found on the Tool Tab, determine whether it would be better to buy or lease an automobile. The cost of the car is \$30,000 and the down payment is \$1,000. Assume a rate of return and interest rate of 8 percent, sales tax rate of 7 percent, and depreciation rate of 20 percent. The loan would be for five years. The lease option would be for three years with \$100 in fees and \$500 for a security deposit. The residual value of the car would be 60 percent.
45. Use the RIA Checkpoint to answer the following questions.
- a. What are the thesaurus alternatives for “car”?
 - b. Using the TOC, determine in what title education is listed in the Federal Employment Regulations (found in Payroll Library).
 - c. What is the full citation for a Supreme Court case in 1977 involving GM Leasing?
 - d. What Code section does Private Letter Ruling 200422053 involve?
46. Use the CCH Tax Research NetWork Federal Tab to answer the following questions.
- a. What are the major database categories provided?
 - b. Select 2001 in the Federal Tax Achieves. What tax act is listed? When would it be useful to see what the IRC was in a prior year?
 - c. What is the most recent Treasury Decision listed in Advance Release Documents?
 - d. What bills does CCH think are worth watching?

47. Use the CCH Tax Research Network Topical Indexes Database to determine the following.
 - a. The listings for the letter “K” in the *Internal Revenue Code* index.
 - b. The number of listings under Bermuda in the Tax Treaties Reporter.
 - c. The paragraph number at which quid pro quo contributions are discussed in the *U.S. Master Tax Guide*.
48. Use the Search Tools Options of CCH Tax Research NetWork to answer the following questions.
 - a. What date range options are available?
 - b. Select the CCH Explanations and Analysis database on the Federal opening search screen. Which parts of a document may be searched? Does your response change if only the SFITR is selected? Explain your response.
 - c. Besides sorting results by relevance and indicating the maximum number of documents to show, what other options are in the Search Method section?
49. Use the CCH Tax Research NetWork to answer the following questions.
 - a. Who were the staff members (not legislators) who participated in the issuance of the Joint Committee on Taxation “Blue Book” General Explanation of Tax Legislation Enacted by the 109th Congress, JCS 1-07 (January 19, 2007)?
 - b. What is the most recent Private Letter Ruling listed in Federal Tax Day? Give the full citation of the PLR and section to which it pertains.
 - c. Tax Practice Guides indicates that having doubts as to the collectibility of an IRS levy is grounds for requesting a compromise, in the section: How to Write Offers in Compromise. Upon what should this doubt be based?
 - d. According to Circular 230, who may qualify to practice before the IRS? Give the citation substantiating your answer.
50. Use the CCH Tax Research NetWork Tool Tab and/or the Practice Aids database to answer the following questions.
 - a. What is the current per diem maximum for meals and lodging for staying in Atlanta, Georgia?
 - b. Using the Federal withholding calculator, determine the estimated tax due (or refund) for yourself based on what you expect your income and family situation to be five years from now. Print the calculated page to turn in.
 - c. Using the Multistate Quick Answer Chart, determine the gasoline tax per gallon in Oregon.
 - d. Are the tools offered in the Tool Tab the same as in the Practice Aids database?
51. Use the RIA Checkpoint Newsstand Tab to answer the following questions.
 - a. For the WG&L Tax Journals, what articles are listed in the highlights for *Practical Tax Strategies* under the In This Issue heading?
 - b. What is the title for the State Tax News brief for your state? If there is not a news brief for your state, select the closest state alphabetically and provide its news brief title.
 - c. In the Newsletter Library, select the Cummings’ Corporate Tax Insights. What is the title of the first article for January of the current year?

52. Use the CCH Tax Research Network My CCH Tab to answer the following questions.
- For Tax Tracker News, select the set up search option. What choices does the Narrow with Search Options allow?
 - What is the title of the first article that is provided in Today's Tax Highlights?
 - In the Tax Briefing, what is the most current tax act that has a special report provided?
53. Indicate the relevant information requested for CCH Tax Research Network SFITR, paragraph ¶ 12,623.025.
- What is the title for the paragraph and Code section?
 - What Regulations apply to this paragraph? What are the paragraph numbers for these Regulations?
 - What are the current developments for this paragraph?
 - In what other databases (services) are related topics referenced for this paragraph?
54. Indicate the relevant information requested using RIA Checkpoint and §521.
- What FTC paragraphs discuss the exemption of farmers' cooperatives [§521(b)(1)]? Provide paragraph number and title.
 - What Regulations were issued on this Code Section? What are their titles?
 - In what years and by what public laws was this section amended?
 - What are the titles of the committee reports associated with the public laws found in part c?
55. Find the following law journals and provide the title to the article by the author indicated.
- Akron Tax Journal*: Volume 22 by Richard C. E. Beck.
 - Virginia Tax Review*: Volume 26 by Linda Sugin.
 - Florida Tax Review*: Volume 7 by Pamela Champine.
 - Tax Law Review*: Volume 59 by Anne L. Alstott and Ben Novick.
56. Use the RIA Checkpoint to perform a keyword search using the terms *bankruptcy* "legal fees" and *deduction* with the WG&L Journals database.
- What is the citation for the most recent article found in the *Journal of Corporate Taxation*?
 - Does the article found in part a actually discuss the deductibility of legal fees, or do the keywords randomly appear in the article?
 - Find the same article as in part a using a TOC search. Is the article a main article or found in the columns? What citation information is available that was not available from the keyword search?
57. Use the CCH Tax Research Network to perform a keyword search using the terms *bankruptcy* and *family limited partnerships* with the *Journal of Retirement Planning* as the database.
- What is the citation for the most recent article with either bankruptcy or family limited partnership in the title?
 - Does a similar article appear in *Taxes—The Tax Magazine* in the same year?
 - After performing the search using the Display by Document format, change to Display by TOC—Hits Only. Which method of display made it

easier to find the articles in *Journal of Retirement Planning* and *Taxes—The Tax Magazine*?

58. Use the CCH FTA index to answer the following questions.
 - a. Provide the proper citation for the most current article listed discussing §382.
 - b. What are the paragraph citation numbers for articles discussing the protection of individual retirement accounts (IRAs) from creditors of bankrupt individuals? What Code section are these articles under?
 - c. Provide the proper citation for the most current article by Susan Kalinka.
 - d. What is the date on the last update filed in your library's current binder of FTA. (Check behind the tab "Last Report Letter" to find the answer.)

59. Use the WG&L IFTA index to answer the following questions.
 - a. Provide the proper citation for the most current article listed discussing §382 (Limitation on NOL loss carryforwards).
 - b. Provide the proper citation for the most current article by Susan Kalinka.
 - c. What is the most recent supplement in your library?

60. Use the CCH FTA index and the WG&L IFTA for the following tasks.
 - a. Using both indexes, find a current article on U.S. citizens living abroad and provide the proper citation for the article. Describe the search strategies you used for each index. Which one proves easier to find the article?
 - b. Using both indexes, find a current article on §6111, Registration of Tax Shelters, and provide the proper citation for the article. Describe the search strategies you used for each index. Which one proves easier to find the article?
 - c. Using both indexes, find a current article by H. W. Wolosky and provide the proper citation for the article. Describe the search strategies you used for each index. Which one proves easier to find the article?

61. Find an article on using offshore integrated estate planning (§2001) that appeared in *Taxes—The Tax Magazine* between 1998 and 2002 using the CCH FTA index. Find the same article using the WG&L IFTA.
 - a. Provide proper citation for the article.
 - b. Provide full volume information and page number on which the citation was found in each of the indexes.
 - c. What is the area of expertise of the author of this article?
 - d. Compare the search strategies in using each index. Which one provides easier access?

62. Use the CCH FTA index and the WG&L IFTA for the following tasks.
 - a. Using both indexes, find a current article on charitable giving and provide the proper citation for the article. Describe the search strategies you used for each index. Which one proves easier to find the article?
 - b. Using both indexes, find a current article on §213, Medical Expenses, and provide the proper citation for the article. Describe the search strategies you used for each index. Which one proves easier to find the article?
 - c. Using both indexes, find a current article by E. J. Schnee and provide the proper citation for the article. Describe the search strategies you used for each index. Which one proves easier to find the article?

63. Compare the CCH FTA and the WG&L IFTA regarding ease of locating articles when using the three methods of locating an article (by Code section, by author, and by topic).
64. Find an article on using offshore integrated estate planning (§2001) that appeared in *Taxes* between 1998 and 2002, using the ProQuest or any Internet periodical index available to you.
 - a. Provide proper citation for the article.
 - b. What is the area of expertise of the author of this article?
 - c. What journal published most of this author's articles?
 - d. Perform the searches requested in Question 61. Compare the search strategies in using published indexes with using an Internet index. Which one provides easier access?
65. Use any Internet periodical index available to you to find the most current article on the final regulations under §752 that discusses allocating liabilities to the owners of entities that are disregarded for Federal tax purposes.
 - a. What index did you use?
 - b. What is the proper citation for the article you found?
 - c. Knowing the journal in which the article appears, would there be another index that could have been as efficient in finding the article?

RESEARCH CASES

66. Candidate Feldman ran for Congress in 2008, raising \$4.7 million for the campaign, including \$800,000 in Federal matching amounts. Five months after his opponent had been sworn into office, auditors discovered that Feldman had used \$500,000 of campaign donations for a personal vacation, taken immediately after the unsuccessful campaign. What are the tax consequences of this use of election funds?
67. Ann is required under a divorce decree to pay alimony of \$2,000 per month and child support of \$3,000 per month. Ann has only been paying \$4,000 per month because she thinks the child support requirement is too high. On Ann's tax return, what portion of the payments does she treat as alimony and what part is considered child support?
68. Which of the following items qualifies for the child care credit claimed by the Rodriguez family?
 - Salary for nanny.
 - Employer's share of FICA tax for nanny, paid by Rodriguez.
 - Employee's share of FICA tax for nanny, paid by Rodriguez.
 - Health insurance premiums on nanny, paid by Rodriguez.
 - One-half of nanny's hotel bill while on her own during a European vacation, paid by Rodriguez.
 - Dry cleaning bills for nanny's clothes soiled by youngsters and paid by Rodriguez.
69. Kenny has been a waiter at the Burger Pitt for four years. The Pitt treats its employees well, allowing them a 60 percent discount for any food that they

- buy and consume on the premises. This year, the value of this discount for Kenny amounted to \$2,500 for days on which he was working, and \$1,500 for days when he was not assigned to work but still stopped by during mealtimes. How much gross income must Kenny recognize this year with respect to the discount plan?
70. Ollie died this year in September, after a long illness. His wages prior to death totaled \$15,000, and his state taxes thereon came to \$600.
- Who must file Ollie's last tax return?
 - How is the return signed?
 - Who collects Ollie's \$440 Federal refund?
71. When Fifi, a sheriff's deputy, was injured on the job, she was allowed under her contract with the state to choose between a \$1,000 weekly sick-pay distribution and an \$850 weekly workers' compensation payment. Which one should Fifi select?
72. Willie was tired of cleaning up the messes that his wife made in their house. One morning, he found a crumpled Kleenex on the bathroom vanity, so he disgustedly flushed it down the toilet. Unfortunately, the Kleenex was wrapped around Barbara's engagement ring, which she had removed the previous evening after cutting her finger while shoveling snow. Is the couple allowed a deductible casualty loss for Federal income tax purposes under IRC §165?
73. Louella was born into a poor family that lives in a poor section of town. She recently landed a job as wardrobe consultant at High Fashions, Ltd., a retailer of expensive women's clothing at an Elm Grove shopping mall. Can Louella claim a \$162 business expense deduction on her Federal income tax return for the cost and upkeep of the expensive Yves St. Laurent outfits that she is required to wear on the job?
74. Harriet purchased a variety of birth control devices during the year. To what extent, and under what circumstances, do such items qualify under §213 for a medical expense deduction?
75. Phyllis sued Martin's estate and won a \$65,000 settlement. She showed the probate court that she carried out her end of a compensatory arrangement with her companion, where she provided "traditional wifely services" without benefit of matrimony during Martin's life in exchange for all of his estate. Martin left his entire estate to his faithful dog Sparky, via a trust. How much gross income is recognized by Phyllis?
76. How much gross income is recognized by Carol, who received \$10,000 damages (two months' salary) for pain and suffering due to the school administration's critical reaction to her negative comments about ineffective recruiting of athletes who graduate with legitimate academic majors?
77. Carol and Jerry, LLP, pays the Good Eats Cafe each month for the lunches the two accountants eat there each work day because they always discuss some business. Often Carol and Jerry invite friends who work at other CPA firms to join them, so they can keep up with what is happening in the accounting community. Are these meals deductible?

78. Lila personally bought three insurance policies on her life. She borrowed \$28,500 and prepaid the first five years' worth of annual payments on a whole life policy. In addition, she borrowed \$4,200 and paid one of the two required premiums on a group term policy through her professional organization. Finally, she borrowed \$3,000 and bought utilities mutual fund shares. The principal and interest of the fund's assets are to be appropriated in a timely fashion by Lila to make payments on a five-premium endowment contract. Interest charges for the three loans were \$2,500, \$420, and \$310, respectively. How much of this interest can Lila deduct?
79. CPA Joe reimburses a client for a \$75,000 tax liability that is traceable to Joe's bad tax advice. For fear of increasing his already steep malpractice insurance premiums, Joe does not file a claim with the insurer. Can Joe deduct the \$75,000 loss?
80. Toni, a gardener, lent Harry, his friend, his new \$500 lawn mower. Harry ruined the lawn mower, but replaced it with a \$425 model. Later in the same year, Toni lent Harry \$5,000 for bail, \$3,000 to start a fencing operation, and \$15 for a meal. According to Harry's parole officer, none of these items will ever be paid back. Can Toni deduct any of these losses?
81. Three years ago, Geraldine bought a Kandinsky for her art collection from a mail-order advertisement for \$310,000. This year, Geraldine's art dealer told her that the painting was actually painted by Kansky and is not worth more than \$310. What is her deductible loss upon discovery of the forgery?
82. Chickfer Cooperative is a horticultural cooperative located in Arkansas that markets fertilizers created by its members specially for use by commercial greenhouses. It grossed \$25 million in sales for the current year. Is Chickfer able to qualify for the domestic production activities deduction?
83. It is 3 A.M. and your access to the university's tax services is down. Find a text version of the Code on the Internet and print §61. Where did you find the Code? Who maintains the site? Does the version of the Code you found use text hyperlinks? What happens when you click on a hyperlink? Download and print a copy of a page with hyperlinks, then click on several hyperlinks and print the pages to which they link.
84. Bob Carburetor is the new owner of Carburetor Cars. Bob's brother Bill has owned an auto dealership for years, Radiator Cars. Bob decides to adopt all of his brother's accounting methods. At Radiator Cars, when a vehicle is sold, the dealership tries to sell an auto service contract. The amounts received for these contracts are placed into an escrow account. The agreements grant the buyers the right to have parts or components covered by the contract repaired or replaced, whenever the covered parts experience a mechanical difficulty. The dealer will provide the services or will reimburse the car buyer for the reasonable cost of repair or replacement. Normally, the buyer returns the vehicle to the dealer for repair, but this is not required. In either case, the repairs or replacements must be authorized in advance by an administrator hired by Radiator Cars. Fees to the administrator of the contracts are paid out of the escrow account. Is this the proper tax treatment for these service contracts?

85. Betty Jo Harris lives in Maine with her son Rick and husband Walter Reed. Rick has Lou Gehrig's disease. Rick's physician encourages Betty Jo to go to a Caregivers of Lou Gehrig's disease conference at the Mayo Clinic in Rochester, Minnesota, so she can learn how to better take care of Rick. Betty takes the advice and flies to Rochester. Besides the cost of the plane ticket, Betty Jo incurs the following types of expenses: meals, lodging, phone calls home, dry cleaning (she dumped her taco salad on her lap at lunch), and conference registration fees. The leading speaker at the conference suggested that caregivers take their patients to destinations in warm climates to improve their state of mind and general condition. When Betty returns home, she arranges a two-month trip (January and February) to the Bahamas for Rick and herself. One week after they have arrived in the Bahamas, Rick's father, Walter, arrives and stays for a couple of weeks. Advise Betty Jo as to whether any of these expenses are deductible as medical expenses.
86. Several years ago, Agnes and Wyman Booth bought a home for \$200,000. They lived in the home for ten years and then moved into an apartment. Unable to immediately sell the home, they rented it for two years earning \$24,000 in rents and taking \$14,000 in depreciation. After the two rental years, the Booths exchanged the house for \$30,000 cash and a duplex worth \$600,000. The Booths will hold the duplex as rental property. How much taxable income do the Booths have from the exchange?
87. King & Knight is a personal service corporation that has been in existence for five years. In the current year, it makes a §444 election to have its year-end become October 31. King & Knight incurs an NOL for the current year amounting to \$100,000. How should King and Knight treat this NOL for tax purposes?
88. Clarence is a packrat. He has clothes from when he was in high school some twenty years ago that he would never wear. He also has household items that have accumulated over the past fifteen years. Some of these household items have not been used by Clarence in years and he is not sure if they even work. Clarence is buying a new home and wants to clean out his closets before he moves into his new house. He would like to give all of his old clothes and household items to local charities. What restrictions apply to charitable deductions of old clothes and household items?

EXTENSIVE CASES

89. Helen Hanks, who lives in San Francisco, California, has just been promoted to manager of the divisional office. However, the divisional office is located in Portland, Oregon. Helen's significant other, Tom Hunt, will be moving with her to Portland. Helen's children from a previous marriage will also be joining her in Portland. The children have been living with their father in Spain for the past year.

Helen easily sells the San Francisco house in which she and Tom live. Helen is the sole owner of the house. However, she has a harder time finding the right home in Portland. Helen has to make several trips to Portland before buying a house under construction. It won't be available for occupancy for at

least twenty days after she arrives in Portland. Tom accompanied Helen on the house hunting trips to give his opinion on the houses, and to look for a new job.

The actual move takes place as follows. The movers arrive on Wednesday to pack up Helen's and Tom's household items. Thursday, the movers pack up Helen's items from a storage unit located outside of the city, and her sailboat. The movers then leave for Portland. Helen hires a college student to drive her car to Portland; the driver leaves on Friday. On Saturday, after dropping Helen at the airport for her flight to Portland, Tom leaves to drive his car to Portland via Salt Lake City, Utah, where he also visits his brother. Helen and Tom stayed in a hotel Wednesday to Friday while still in San Francisco, and upon arriving in Portland until the house is ready for occupancy. The moving company stores their household items at its warehouse until Helen and Tom are ready to move in. Helen's children arrive two weeks after she and Tom have finally moved into the new house.

Helen pays for all of the costs involved in selling the San Francisco home and moving Tom, the children, and herself to Portland in November of the current year. Helen's employer eventually reimburses her (in March of the next year) for 75 percent of all costs of moving the household items (Helen's and Tom's), Helen's car, and two house hunting trips. The employer also reimburses Helen for 50 percent of the total hotel and meal costs while she and Tom were in Portland and waiting for the completion of their home. Advise Helen on the tax consequences of the above events.

90. Mark and Leslee Jones were married in 1995. Mark has an MBA from Harvard and worked in the financial markets in New York City. Leslee has a degree in Hotel Administration and worked for the Hilton Hotel until two years ago, when Mark and Leslee moved to California. They moved to California because Mark lost his job. He had been accused of embezzlement, and formal charges had been filed against him. However, the charges were dropped because the firm for which Mark worked did not want to be involved in a public scandal. Mark admitted the embezzlement to Leslee and promised that if they stayed married and moved, he would never embezzle again. In California, Mark obtained a job as the chief financial officer of a mid-size company. His salary, while about 60 percent of his former salary, was still over \$200,000.

Mark likes to gamble. He does so by betting on horse races, going to Las Vegas, playing in the stock market, and buying speculative real estate. The reason he had embezzled the money at his former job was to cover his gambling and stock market losses. While in California, he continued to bet on horse races and visit Las Vegas to gamble. Leslee accompanied him to the race tracks and to Las Vegas. Since Mark was known as a big gambler, their rooms were always provided for free, as were any costs associated with their stays in Las Vegas. Leslee would watch Mark gamble for a while, get bored, and then go to see shows or go shopping. Leslee liked to shop and spent thousands of dollars at a time.

As to the investment speculations, Leslee did not help in the decisions to purchase stock or real estate. However, she did sign all purchase and sale agreements for real estate, as California is a community property state. Any proceeds from the sales were paid to both Mark and Leslee. She endorsed all checks, which were deposited in their joint checking account. Leslee and Mark both wrote checks out of this account. What Leslee did not know is that Mark had a separate bank account into which he deposited much of his gambling winnings and stock gains.

In the current year, the Jones's prior two tax returns are audited and material omissions are found. The embezzled money never had been reported, gambling gains were substantially understated, and gains on the sale of stock and real estate were omitted from the returns. Shortly after the notice from the IRS as to their findings regarding the audits, Leslee filed for divorce, for obvious reasons.

What tax-related advice do you have for Mark and Leslee? Leslee would like to apply for innocent spouse protection from the tax liabilities. She claims that she had no knowledge of any of the underreporting on their tax returns. Mark and Leslee always used a CPA to prepare their returns.