CHAPTER 2

WORKING WITH THE TAX LAW

SOLUTIONS TO PROBLEM MATERIALS

DISCUSSION QUESTIONS

1. (LO 1) Determining the intent of Congress is a large part of tax research. Reviewing the Committee Reports generated by the House Ways and Means Committee, the Senate Finance Committee, and the Joint Conference Committee (if convened) will assist in determining intent.

2. (LO 1) The many gray areas, the complexity of the tax laws, and the possibility of different interpretations of the tax law create the necessity of alternatives for structuring a business transaction.

3. (LO 1) Federal tax legislation generally originates in the House Ways and Means Committee.

4. (LO 2, 5)

SWFT, LLP
5191 Natorp Boulevard
Mason, OH 45040

October 20, 2021

Ms. Sonja Bishop
Tile, Inc.
100 International Drive
Tampa, FL 33620

Dear Ms. Bishop:

This letter is in response to your request about information concerning a conflict between a U.S. treaty with Spain and a section of the Internal Revenue Code (IRC). The major reasons for treaties between the United States and certain foreign countries is to eliminate double taxation and to render mutual assistance in tax enforcement.

IRC § 7852(d) provides that if a U.S. treaty is in conflict with a provision in the IRC, neither will take general precedence. Rather, the more recent of the two will have precedence. In your case, the treaty with Spain takes precedence over the IRC section.

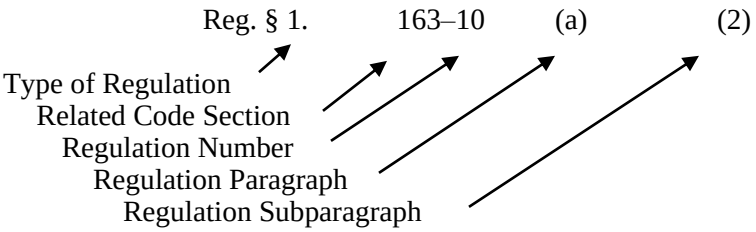
A taxpayer must disclose on the tax return any positions where a treaty overrides a tax law. There is a $1,000 penalty per failure to disclose for individuals and a $10,000 penalty per failure to disclose for corporations.

Should you need more information, feel free to contact me.

Sincerely,

Jeffrey Hanks, CPA
Tax Partner

5. (LO 1, 2) Income tax



6. (LO 1) Notice 90–20 is the 20th Notice issued during 1990, and it appears on page 328 of Volume 1 of the *Cumulative Bulletin* in 1990.

7. (LO 1, 4) The items would probably be ranked as follows (from lowest to highest):

   (1) Letter ruling (valid only to the taxpayer to whom issued)

   (2) Proposed Regulation (most courts ignore these)

   (3) Revenue Ruling

   (4) Interpretive Regulation

   (5) Legislative Regulation

   (6) Internal Revenue Code

8. (LO 1)

   a. This citation refers to a Temporary Regulation; 1 refers to the type of Regulation (i.e., income tax), 956 is the related Code section number, 2 is the Regulation section number, and T refers to temporary.

   b. Revenue Ruling number 15, appearing on page 975 of the 23rd weekly issue of the *Internal Revenue Bulletin* for 2012.

   c. Letter Ruling 51, issued in the 4th week of 2002.

9. (LO 1, 5) TAX FILE MEMORANDUM

   DATE: September 24, 2021

   FROM: George Ames

   SUBJECT: Telephone conversation with Sally Andrews on applicability of 2015 letter ruling

   I informed Sally Andrews that only the taxpayer to whom the 2015 letter ruling was issued may rely on the pronouncement. I also stressed that a letter ruling has no precedential value under § 6110(k)(3).

   I pointed out that a letter ruling indicates the position of the IRS on the specific fact pattern presented as of the date of the letter ruling. As such, a letter ruling is not primary authority. However, under Notice 90–20, 1990–1 C.B. 328, a letter ruling is substantial authority for purposes of the accuracy-related penalty in § 6662.

10. (LO 1) Sri should consider the following factors in determining whether he should request a letter ruling from the IRS with respect to the proposed stock redemption:

    - For a fee, the IRS will issue a letter ruling at a taxpayer's request and describe how the IRS will treat a proposed transaction. The letter ruling applies only to the requesting taxpayer. A Revenue Ruling is applicable to all taxpayers.
    - Sri must determine whether the possible tax amount is large enough to warrant the costs and time to apply for a letter ruling.
    - If Sri is likely to obtain an adverse letter ruling from the IRS National Office, he should forgo the ruling request.
    - The letter ruling would have substantial authority for purposes of the accuracy-related penalty.
    - Sri needs to consult Rev.Proc. 2021–3 (2021–1 I.R.B. 140) to be certain the IRS will issue a ruling about this tax issue. The IRS will not rule in certain areas that involve fact-oriented situations but will probably issue one here.

11. (LO 1) Letter rulings may be found in:

    - *IRS Letter Ruling Reports* (CCH).
    - Bloomberg BNA *Daily Tax Reports*.
    - *Tax Notes* (Tax Analysts).
    - Letter rulings are also available in electronic (online) tax research services (e.g., Thomson Reuters *Checkpoint*).

12. (LO 1) TEAMs are issued by the Office of Chief Counsel to expedite legal guidance to field agents as disputes are developing. TEAMs differ from TAMs as follows:

    - A mandatory presubmission conference involves the taxpayer.
    - In the event of a tentatively adverse conclusion to the taxpayer or to the field agent, a conference of right will be offered to the taxpayer and to the field agent.
    - No further conferences are offered once the conference of right is held.

13. (LO 1) Sanjay must consider several factors in deciding whether to take the dispute to the judicial system:

    - How expensive will it be?
    - How much time will be consumed?
    - Does he have the temperament to engage in the battle?
    - What is the probability of winning?
    - Once a decision is made to litigate the issue, the appropriate judicial forum must be selected.
    - Tax Court judges have more expertise in tax matters.

- The tax deficiency need not be paid to litigate in the Tax Court. However, if Sanjay loses, interest must be paid on any unpaid deficiency.
- If a trial by jury is preferred, the U.S. District Court is the appropriate forum.
- The tax deficiency must be paid before litigating in the District Court or the Court of Federal Claims.
- If an appeal to the Federal Circuit is important, Sanjay should select the Court of Federal Claims.
- A survey of the decisions involving the issues in dispute is appropriate. If a particular court has taken an unfavorable position, that court should be avoided.

14. (LO 1) The main advantage of the U.S. Court of Federal Claims occurs when a taxpayer's applicable Circuit Court previously rendered an adverse decision. Such a taxpayer may select the U.S. Court of Federal Claims because any appeal will be to the Federal Circuit.

One disadvantage of the U.S. Court of Federal Claims is that the tentative deficiency must be paid before the Court will hear and decide the controversy.

The U.S. Court of Federal Claims is a trial court that usually meets in Washington, D.C. It has jurisdiction for any claim against the United States that is based on the Constitution, any Act of Congress, or any Regulation of an executive department.

15. (LO 1, 5)

SWFT, LLP
5191 Natorp Boulevard
Mason, OH 45040

July 7, 2021

Mr. Eddy Falls
200 Mesa Drive
Tucson, AZ 85714

Dear Mr. Falls:

You have three alternatives should you decide to pursue your $229,030 deficiency in the court system. One alternative is the U.S. Tax Court, the most popular forum. Overall, Tax Court judges have more expertise in tax matters. The main advantage is that the U.S. Tax Court is the only trial court where the tax need not be paid prior to litigating the controversy. However, interest will be due on an unpaid deficiency. The interest rate varies from one quarter to the next as announced by the IRS.

One disadvantage of the U.S. Tax Court is the delay that might result before a case is decided. The length of delay depends on the Court calendar, which includes a schedule of locations where cases will be tried. Another disadvantage is being unable to have the case heard before a jury.

The major advantage of another alternative, the U.S. District Court, is the availability of a trial by jury. One disadvantage of a U.S. District Court is that the tentative tax deficiency must be paid before the Court will hear and decide the controversy.

The Court of Federal Claims, the third alternative, is a trial court that usually meets in Washington, D.C. It has jurisdiction for any claim against the United States that is based on the Constitution, any Act of Congress, or any regulation of an executive department. The main advantage of the U.S. Court of Federal Claims occurs when a taxpayer's applicable Circuit Court previously rendered an adverse

decision. Such a taxpayer may select the Court of Federal Claims because any appeal will be to the Federal Circuit instead. One disadvantage of the Court of Federal Claims is that the tentative deficiency must be paid before the Court will hear and decide the controversy.

I hope this information is helpful, and should you need more help, please contact me.

Sincerely,

Abby Reynolds, CPA
Tax Partner

16. (LO 1) The U.S. Tax Court hears only tax cases and is the most popular forum for tax cases (generally viewed as an advantage). Overall, Tax Court judges have more tax expertise; many had careers in the Treasury Department or the IRS before being appointed to the Tax Court. A taxpayer does not have to pay the tax deficiency assessed by the IRS before trial, but a taxpayer may deposit a cash bond to stop the running of interest (also viewed as an advantage). Appeals from a Tax Court are to the appropriate U.S. Court of Appeals. A disadvantage is that the taxpayer may not obtain a jury trial in the U.S. Tax Court.

17. (LO 1) See Exhibit 2.4, Exhibit 2.5, and Concept Summary 2.1.

    a. There is no appeal by either the taxpayer or the IRS from a decision of the Small Cases Division of the U.S. Tax Court.

    b. The first appeal would be to the Sixth Circuit Court of Appeals. Further appeal would be to the U.S. Supreme Court.

    c. Same as part b. above.

    d. The appeal would be to the Federal Circuit Court of Appeals and then to the U.S. Supreme Court.

18. (LO 1) The term *petitioner* is a synonym for plaintiff, which refers to the party requesting action in a court.

19. (LO 1) Both the Code and the Supreme Court indicate that the Federal appellate courts are bound by findings of facts unless they are clearly erroneous. As a result, the *role* of appellate courts is limited to a review of the record of trial compiled by the trial courts. Therefore, the appellate process usually involves a determination of whether the trial court applied the proper law in arriving at its decision. Rarely will an appellate court disturb a lower court's fact-finding determination.

20. (LO 1) See Concept Summary 2.1.

		U.S. Tax Court	U.S. District Court	U.S. Court of Federal Claims
a.	Number of regular judges	19	Varies; one judge hears a case	16
b.	Jury trial	No	Yes	No
c.	Prepayment of deficiency required before trial	No	Yes	Yes

21. (LO 1) See Exhibit 2.5.

a. Tenth.

b. Eighth.

c. Ninth.

d. Fifth.

e. Seventh.

22. (LO 1) See Exhibit 2.4.

a. The Tax Court must follow its own cases, the pertinent U.S. Circuit Court of Appeals, and the Supreme Court.

b. The Court of Federal Claims must follow its own decisions, the Federal Circuit Court of Appeals, and the Supreme Court.

c. The District Court must follow its own decisions, the pertinent U.S. Circuit Court of Appeals, and the Supreme Court.

23. (LO 1) The appropriate Circuit Court of Appeals for an appeal depends on where the litigation originated. For example, an appeal from Texas would go to the Fifth Circuit Court of Appeals and an appeal from Colorado would go to the Tenth Circuit Court of Appeals. See Exhibit 2.5.

24. (LO 1, 2, 4)

a. If the taxpayer chooses a U.S. District Court as the trial court for litigation, the U.S. District Court of Wyoming will be the forum to hear the case. Unless the prior decision has been reversed on appeal, one would expect the same court to follow its earlier holding.

b. If the taxpayer chooses the U.S. Court of Federal Claims as the trial court for litigation, the decision that was rendered previously by this Court should have a direct bearing on the outcome. If the taxpayer selects a different trial court (i.e., the appropriate U.S. District Court or the U.S. Tax Court), the decision that was rendered by the U.S. Court of Federal Claims will be persuasive but not controlling. It is, of course, assumed that the result that was reached by the U.S. Court of Federal Claims was not reversed on appeal.

c. The decision of a U.S. Circuit Court of Appeals will carry more weight than one that was rendered by a trial court. Because the taxpayer lives in California, however, any appeal from a U.S. District Court or the U.S. Tax Court will go to the Ninth Circuit Court of Appeals (see Exhibit 2.4). Although the Ninth Circuit Court of Appeals might be influenced by what the Second Circuit Court of Appeals has decided, it is not compelled to follow such holding. See Exhibit 2.5.

d. Because the U.S. Supreme Court is the highest appellate court, one can place complete reliance upon its decisions. Nevertheless, one should investigate any decision to see whether the Code has been modified with respect to the result that was reached. The rare possibility also exists that the Court may have changed its position in a later decision. See Exhibit 2.4.

e. When the IRS acquiesces to a decision of the U.S. Tax Court, it agrees with the result that was reached. As long as such acquiescence remains in effect, taxpayers can be assured that this represents the position of the IRS on the issue that was involved. Keep in mind, however, that the IRS can change its mind and can, at any time, withdraw the acquiescence and substitute a nonacquiescence.

f. The issuance of a nonacquiescence usually reflects that the IRS does not agree with the result reached by the U.S. Tax Court. Consequently, taxpayers are placed on notice that the IRS will continue to challenge the issue that was involved.

25. (LO 2) The number 66 is the volume number for the U.S. Tax Court, 39 refers to the page number of the 562nd volume of the *Federal Second Series*, and *nonacq.* means that the IRS disagreed with the decision. The Tax Court (T.C.) cite is to the trial court.

26. (LO 1) There is no automatic right of appeal to the U.S. Supreme Court. Appeal is by Writ of Certiorari. If the Court agrees to hear the dispute, it will grant the Writ (*Cert. granted*). Most often, the highest court will deny jurisdiction (*Cert. denied*).

27. (LO 2) See Concept Summary 2.2.

a. Ninth Circuit Court of Appeals.

b. U.S. Tax Court.

c. U.S. Supreme Court.

d. Bureau of Tax Appeal (old name of U.S. Tax Court).

e. Tax Court (memorandum decision).

f. Court of Claims.

g. Not a court decision.

h. District Court in New York.

i. Not a court decision.

28. (LO 2) See Concept Summary 2.2.

a. This citation is to a regular decision of the U.S. Tax Court that was issued in 1950. The decision can be found in Volume 14, page 74, of the *Tax Court of the United States Report*, published by the U.S. Government Printing Office.

b. This citation is for a decision of the U.S. Fifth Circuit Court of Appeals that was rendered in 1979. The decision can be found in Volume 592, page 1251, of the *Federal Reporter*, Second Series (F.2d), published by West Publishing Company.

c. This citation is for a decision of the U.S. Sixth Circuit Court of Appeals that was rendered in 1995. The decision can be found in Volume 1 for 1995, paragraph 50,104 of *U.S. Tax Cases*, published by Commerce Clearing House.

d. This citation is for a decision of the U.S. Sixth Circuit Court of Appeals that was rendered in 1995. The decision can be found in Volume 75, page 110, of the *Second Series of American Federal Tax Reports*, published by RIA (Thomson Reuters).

e. This citation is for a decision of the U.S. District Court of Texas that was rendered in 1963. The decision can be found in Volume 223, page 663, of the *Federal Supplement Series*, published by West Publishing Company.

f. This citation is to a decision of the U.S. First Circuit Court of Appeals that was rendered in 2007. The decision can be found in Volume 491, page 53, of the *Federal Reporter*, Third Series (F.3d), published by West Publishing Company.

g. This citation is to a decision of the U.S. District Court of the Virgin Islands that was rendered in 2011. The decision can be found in Volume 775, page 765, of the *Federal Supplement*, Second Series (F.Supp.2d), published by West Publishing Company.

29. (LO 2) See Concept Summary 2.2.

a. None.

b. USTC.

c. USTC.

d. USTC.

e. TCM.

30. (LO 2) Decisions of the U.S. Court of Federal Claims (formerly named the Claims Court) are published in the USTCs (CCH); the AFTRs (RIA); and the West Publishing Co. reporter called the *Federal Claims Reporter*, *Second Series* (F.2d) (before October 1982) and the *Claims Court Reporter* (beginning October 1982 through October 30, 1992). The name of the U.S. Court of Federal Claims was changed from the Claims Court effective October 30, 1992. Currently, this court's decisions are published in the *Federal Claims Reporter*. See Concept Summary 2.2.

31. (LO 1, 2)

a. Yes. Exhibit 2.3.

b. No. Not published there. Concept Summary 2.2.

c. No. Published by private publishers. Exhibit 2.3.

d. Yes. Exhibit 2.3.

e. Yes. Exhibit 2.3.

f. No. Concept Summary 2.2.

g. Yes. Exhibit 2.3.

h. No. Concept Summary 2.2.

32. (LO 3) After understanding the relevant facts and the accounting rules related to qualified stock options:

- Yvonne can begin with the index volumes of the available tax services: RIA, CCH, or BNA Portfolios.
- A key word search on an online service should be helpful—Thomson Reuters *Checkpoint*, CCH *IntelliConnect*, LexisNexis, or Westlaw (or WestlawNext).
- Yvonne may browse through IRS publications (available on the IRS website).
- Yvonne could consult CCH's *Federal Tax Articles* to locate current appropriate articles written about qualified stock options. Thomson Reuters publishes the *Index to Federal Tax Articles* that is organized using RIA's paragraph index system.
- Additional information can be found on the internet.

33. (LO 4) The current Code can be found in various places. Several of the major tax services publish paperback editions of the Code (and Regulations). These editions are usually revised twice each year. Further, the text of the Code may be found in the major tax services and as Title 26 of the U.S. Code. The Code also may be found on the Web.

34. (LO 2, 3, 4) The best means of locating tax articles pertinent to your problem is through Commerce Clearing House's *Federal Tax Articles*. This multivolume service includes a subject index, a Code section number index, and an author's index. Another is the *Index to Federal Tax Articles* (published by Thomson Reuters). Both of these indexes are updated periodically but are available only in print form.

    Court decisions, revenue rulings and procedures, and other relevant authority may be reviewed for reliability using a *citator* within the commercial tax service. A citator provides the history of a case, including the authority relied on (e.g., other judicial decisions) in reaching the result. Reviewing the references listed in the citator discloses whether the decision was appealed and, if so, with what result (e.g., affirmed, reversed, or remanded). It also reveals other cases with the same or similar issues and how they were decided. As a result, a citator reflects on the validity of a case and may lead to other relevant authority. If one intends to rely on a judicial decision to any significant degree, "running" the case through a citator is imperative.

35. (LO 6) The primary purpose of effective tax planning is to maximize the taxpayer's after-tax wealth. This process can entail an avoidance, a reduction, or a postponement of the tax until the future.

    This process does not mean that the course of action selected must produce the lowest possible tax under the circumstances. Legitimate business goals also must be considered.

    There is nothing illegal or immoral about tax avoidance. But it is important to understand the difference between tax avoidance and tax evasion. A citizen has every legal right to arrange his or her affairs to keep the attendant taxes as low as possible. One is required to pay no more taxes than the law demands.

36. (LO 7) Task-based simulations on the CPA exam are case studies that allow candidates to demonstrate their knowledge and skills by generating responses to questions rather than simply selecting an answer. They typically require candidates to use spreadsheets and/or to research authoritative literature provided in the CPA exam (e.g., Internal Revenue Code, Treasury Department Regulations, IRS publications, and Federal tax forms). In addition, the task-based simulations provide increased background material and data that require candidates to determine what information is or is not relevant to the questions.

PROBLEMS

37. (LO 1)
    b. Subchapter C; see discussion on p. 2-5.

38. (LO 1)
    b. *Internal Revenue Bulletin*; see Exhibit 2.3.

39. (LO 1)
    d. Temporary Regulations; see Exhibit 2.3.

40. (LO 1, 4)
(1) Code Section.
(2) Legislative Regulation.
(3) Recent Temporary Regulation.
(4) Interpretive Regulation.
(5) Revenue Ruling.
(6) Proposed Regulation.
(7) Letter Ruling.

41. (LO 4)
a. P.
b. P.
c. P.
d. S.
e. P.
f. S.
g. P. Valid for three years.
h. P.
i. N.
j. P.
k. P.

42. (LO 1, 2) See Concept Summary 2.2.
a. CCH.
b. RIA.
c. U.S.
d. CCH.
e. U.S.
f. RIA.
g. W.
h. W.
i. W.
j. W.
k. U.S.
l. U.S.

43. (LO 6)
    a. E.
    b. E.
    c. A.
    d. A.
    e. A.

RESEARCH PROBLEMS

1. a. *Higgens v. Comm*., 312 U.S. 212 (1941).
   b. *Talen v. U.S*., 355 F.Supp.2d 22 (D.Ct. D.C., D.D.C., 2004).
   c. Rev.Rul. 2008–18, 2008–13 I.R.B. 674.
   d. *Pahl v. Comm*., 150 F.3d 1124 (CA–9, 1998).
   e. *Veterinary Surgical Consultants PC*, 117 T.C. 141 (2001).
   f. *Yeagle Drywall Co*., T.C. Memo. 2001–284.

2. IRC § 7463(b) states that a decision entered into by any small case decision "shall not be reviewed in any other court and shall not be treated as precedent for any other case."

   In the reviewed opinion *Larry Mitchell* 131 T.C. 215 (2008), the court held that an ex-spouse's share of military retirement payments is subject to tax. This same issue had been litigated previously by the taxpayer in *Mitchell*, T.C. Summ. 2004–160.

   In the past, the Tax Court has used collateral estoppel in small tax case decisions to stop (estop) a party from litigating the same issue in a regular Tax Court case. As a result, this reviewed decision seems to contradict their stance. Judge Holmes stated that this Tax Court decision means "that they are without effect on future litigation at all."

3. For the Oprah car giveaway, the 234 audience recipients who received keys to a car were taxed on the value of the car, which was in the $30,000 range. Because they were merely present in the audience, the fair market value was included in gross income under § 61.

   As for the World Furniture Mall promotion, the discount or rebate could be tax-free because a rebate of all or a portion of the purchase price of property generally does not result in gross income. The customer would have a zero basis in the furniture. Rev.Rul. 76–96, 1976–1 C.B. 23 and Rev.Rul. 88–95, 1988–2 C.B. 28. See "Furniture for Nothing and It's all Tax-Free," *Journal of Taxation*, December 2006, pp. 382 and 383.

4. There does not appear to be a clear-cut answer to this question. Code § 104 allows exclusion from gross income for damages paid on account of physical injuries and physical sickness. However, the IRS requires observable bodily harm for an exclusion to be available (Ltr.Rul. 200041022).

So is false imprisonment physical? In CCA 200809001, the IRS allowed an exclusion for a settlement with an institution for sexual abuse. However, the Tax Court in *Daniel and Brenda Stadnyk*, T.C. Memo. 2008–289 would not allow an exclusion for $49,000 received for about one day in a jail.

Brenda Stadnyk was dissatisfied with an automobile purchase, so she placed a stop payment order on the check she tendered to the dealership. Bank One listed the reason for not paying the dealership as a "NSF check." The dealership then filed a criminal complaint against her for passing a worthless check. She spent about one day in a holding area in a county jail.

In "Why False Imprisonment Recoveries Should Not Be Taxable," *Tax Notes*, June 8, 2009, pp. 1217–1220, Robert Wood provides a lengthy discussion of this problem.

Research Problems 5 and 6

These research problems require that students utilize online resources to research and answer the questions. As a result, solutions may vary among students and courses. You should determine the skill and experience levels of the students before assigning these problems, coaching where necessary. Encourage students to use reliable websites and blogs of the IRS and other government agencies, media outlets, businesses, tax professionals, academics, think tanks, and political outlets to research their answers.

5. (1) A Google search will likely produce a variety of links, including one to Cornell University Law School's Legal Information Institute (**law.cornell.edu/uscode/text/26/61**). This section defines gross income broadly. In addition to the 14 items specifically listed as income, § 61 directs the reader to other IRC sections and indicates that the list of income items is not all-inclusive. In general, the IRC takes a broad view of income; everything is income unless an IRC section specifies that the amount is not income.

(2) To find the case, go to the U.S. Tax Court website and on the "Orders & Opinions" drop down menu, click on Opinions Search. Enter the name Mark Spitz in the "Case Name Keyword" field and click on the Search button.

a. The tax years are 2001 and 2002, as indicated in the first sentence of the case, not 2006, the year in the citation, which is the year the case was decided.
b. As noted above, 2006.
c. The court decided in favor of the IRS.
d. At the end of the decision, the penalty in § 6662 is discussed. This section imposes a 20% accuracy-related penalty on any portion of a tax liability underpayment (the situation in which Mr. Spitz found himself) attributable to a substantial understatement of income tax. Mr. Spitz was found not liable for the penalty because the court indicated that he was unsophisticated in tax law and had relied on a competent adviser to prepare his return.

6. a. From the "Orders & Opinions" drop down menu, click on Opinions Search. On the "Opinions Search" tab, review the "Opinion Type" choices.
b./c. From the "Orders & Opinions" drop down menu, click on Opinions Search. On the "Opinions Search" tab, select the appropriate opinion type, and enter a common last name in the "Case Name Keyword" bar.
d. From the "Rules & Guidance" drop down menu, click on Tax Court Rules.
e. The student e-mail should summarize the items above. Look for proper grammar and e-mail etiquette in addition to the correct answer.

SOLUTION TO ETHICS & EQUITY FEATURE

Reporting Tax Fraud (p. 2-7). A survey given in 2014 by the IRS Oversight Board indicated that 86 percent of Americans believe that it is unacceptable to cheat on their taxes. On the other hand, that same survey indicated that 11 percent of taxpayers said that some cheating on their taxes was acceptable.

In October 2019, the IRS released its latest assessment of the tax gap (IR-2019-159). The IRS estimates that the gross average tax gap for the years 2011, 2012, and 2013 is about $441 billion per year. Voluntary payments or IRS administrative/enforcement efforts were $60 billion, resulting in a net tax gap of approximately $381 billion. These figures translate to around 83.6% of taxes being paid voluntarily and on time. See also **irs.gov/pub/irs-pdf/p1415.pdf** and **irs.gov/pub/irs-pdf/p5365.pdf**.