# Chapter 01 Introduction to Taxation, the Income Tax Formula, and Form 1040EZ

1. The U.S. individual income tax system is an example of a progressive tax rate structure.
	1. True
	2. False
2. A proportional tax rate structure is a tax where the tax rate remains at the same rate regardless of the tax base.
	1. True
	2. False
3. Under a flat tax, the marginal tax rate and the average tax rate are different.
	1. True
	2. False
4. State and local taxes levied on either property or sales are examples of progressive taxes.
	1. True
	2. False
5. With a regressive tax, the tax rate decreases as the tax base gets larger.
	1. True
	2. False
6. The marginal tax rate is the total tax liability divided by the taxable income.
	1. True
	2. False
7. The average tax rate is the total tax liability divided by the taxable income.
	1. True
	2. False
8. All individual income tax returns follow the structure of the simplified tax formula.
	1. True
	2. False
9. With a progressive rate structure, the average tax rate is always smaller than the marginal tax rate.
	1. True
	2. False
10. At high levels of taxable income, the average tax rate and the marginal tax rate will be the same.
	1. True
	2. False
11. Wages, salaries, and tips are compensation for services rendered. However, commissions, bonuses, and severance pay are not taxable.
	1. True
	2. False
12. Federal unemployment compensation benefits are not taxable.
	1. True
	2. False
13. A single taxpayer cannot file a Form 1040EZ if she is age 65 or older.
	1. True
	2. False
14. One of the criteria to file a Form 1040EZ is that the total taxable income of the taxpayer cannot exceed $100,000.
	1. True
	2. False
15. Employers report wage income to employees on a Form W-3.
	1. True
	2. False
16. Individuals who file a Form 1040EZ will determine their tax liability with reference to a tax rate schedule.
	1. True
	2. False
17. Taxpayers normally pay their tax liability when they file their income tax return.
	1. True
	2. False
18. The amount of tax liability is affected by the filing status of the taxpayer.
	1. True
	2. False
19. The tax liability of a single individual with taxable income of $89,542 is $18,153.
	1. True
	2. False
20. Tax liability is calculated using taxable income. Permitted deductions are then subtracted from the tax liability.
	1. True
	2. False
21. The Affordable Care Act requires all individuals to have health care insurance coverage.
	1. True
	2. False
22. If a taxpayer is covered by Medicare, they are deemed to have qualifying health care insurance coverage.
	1. True
	2. False
23. There are two types of primary tax authority: statutory and judicial.
	1. True
	2. False
24. Typically, federal tax legislation is introduced in the Senate Finance Committee.
	1. True
	2. False
25. IRS Regulations are by far the strongest administrative authority.
	1. True
	2. False
26. A Private Letter Ruling is considered to be tax authority only to the taxpayer to whom it is issued.
	1. True
	2. False
27. One major disadvantage the taxpayer has when filing a petition with the Tax Court is that the IRS's proposed tax assessment must be paid prior to trial.
	1. True
	2. False
28. All paid tax preparers must follow the rules provided in Circular 230.
	1. True
	2. False
29. Circular 230 applies only to Certified Public Accountants and Enrolled Agents.
	1. True
	2. False
30. Paid preparers must obtain a preparer tax identification number.
	1. True
	2. False
31. The Sixteenth Amendment to the U.S. Constitution provides the legal and statutory authority for the administration and enforcement of income taxes.
	1. True
	2. False
32. The U.S. individual income tax system is an example of a proportional tax rate structure.
	1. True
	2. False
33. The marginal tax rate is the proportion of tax paid on the first dollar of taxable income.
	1. True
	2. False
34. The simplified tax formula can only be used by individuals with simple income tax returns.
	1. True
	2. False
35. To be eligible to file the 1040EZ form, the taxpayer can only have taxable wages.
	1. True
	2. False
36. The definition of wages includes tips received.
	1. True
	2. False
37. Individuals who file a Form 1040EZ will determine their tax liability with reference to the tax tables.
	1. True
	2. False
38. For equivalent amounts of gross income, a single person will have a higher tax liability than will married persons filing jointly.
	1. True
	2. False
39. The courts issue Private Letter Rulings when a taxpayer requests a ruling on a certain tax situation.
	1. True
	2. False
40. Rev. Proc. 87-56 was the 56th Revenue Procedure issued in 1987.
	1. True
	2. False
41. Circular 230 applies only to paid tax preparers.
	1. True
	2. False
42. A paid tax preparer who violates the provisions of Circular 230 can be subject to civil, but not criminal, penalties.
	1. True
	2. False
43. The tax rate is applied against the tax base to determine the amount of tax liability.
	1. True
	2. False
44. The average tax rate is the taxable income divided by the total tax liability.
	1. True
	2. False
45. Joe is an employee of Adams Company. Joe properly completed his Form 1040EZ tax return and was required to pay the IRS $1,372 at the time of filing. Joe's tax liability for the year is $1,372.
	1. True
	2. False
46. The amount of tax liability calculated using the tax tables will always be the same as the amount calculated using the tax rate schedules.
	1. True
	2. False
47. Legislative regulations do not have the full effect of law.
	1. True
	2. False
48. A tax rate that increases as the tax base increases is an example of what kind of tax rate structure?
	1. Recessive.
	2. Regressive.
	3. Progressive.
	4. Proportional.
49. A tax rate that remains the same as the tax base increases is an example of what kind of tax rate structure?
	1. Progressive.
	2. Recessive.
	3. Proportional.
	4. Regressive.
50. A tax rate that increases as the tax base decreases is an example of what kind of tax rate structure?
	1. Regressive.
	2. Proportional.
	3. Progressive.
	4. Recessive.
51. A tax rate structure where the tax rate remains at the same rate regardless of the tax base is:
	1. A proportional rate structure.
	2. A regressive rate structure.
	3. A progressive rate structure.
	4. None of these.
52. Which of the following is an example of a regressive tax?
	1. State and local taxes levied on property.
	2. Social security tax.
	3. Federal income tax.
	4. Sales tax.
53. The federal income tax is an example of a:
	1. Progressive rate structure.
	2. Flat tax structure.
	3. Proportional rate structure.
	4. Regressive rate structure.
54. Jake earned $15,000 and paid $1,500 of income tax, while Jill earned $40,000 and paid $3,000 of income tax. The structure of the tax their income is subject to is:
	1. Flat.
	2. Regressive.
	3. Progressive.
	4. Proportional.
55. Jordan and Paul, a married couple, have taxable income of $46,375, which is taxed as follows:

|  |  |
| --- | --- |
| $18,550 × 10% = | $ 1,855.00 |
| ($46,375 - $18,550) × 15% = | 4,173.75 |
| Total tax liability | $ 6,028.75 |

Their marginal tax rate is:

A) 13%.

B) 15%.

C) 12.5%.

D) 10%.

1. Jordan and Paul, a married couple, have taxable income of $46,375, which is taxed as follows:

|  |  |
| --- | --- |
| $18,550 × 10% = | $ 1,855.00 |
| ($46,375 - $18,550) × 15% = | 4,173.75 |
| Total tax liability | $ 6,028.75 |

Their average tax rate is:

A) 12.5%.

B) 15%.

C) 13%.

D) 10%.

1. Which statement is correct with respect to marginal and average tax rates under a progressive tax structure?
	1. For most taxpayers, the average tax rate is larger than the marginal tax rate.
	2. Generalizations cannot be made. The question can only be answered with reference to the tax situation of a specific taxpayer.
	3. At very low levels of taxable income, a taxpayer's marginal and average tax rates will be the same.
	4. At very high levels of taxable income, a taxpayer's marginal and average tax rates will be the same.
2. With respect to the income tax formula, which of the following statements is correct?
	1. Tax liability is determined by applying an appropriate tax rate to total income.
	2. The simplified income tax formula is only applicable to taxpayers with taxable income less than $100,000.
	3. Certain deductions from income are permitted before calculating tax liability.
	4. Tax payments are ignored when calculating the tax refund or tax due with the return.
3. Which of the following statements is true with respect to marginal and average tax rates under a progressive tax structure?
	1. Average rates can only be calculated for taxpayers with income over $100,000.
	2. Average rates are never more than marginal rates.
	3. Marginal rates are always larger than average rates.
	4. Marginal rates are always smaller than average rates.
4. Which of the following would disqualify a taxpayer from filing a Form 1040EZ?
	1. The taxpayer received unemployment compensation income of $1,700.
	2. The taxpayer is age 66.
	3. The taxpayer is married.
	4. The taxpayer has interest income of $1,400.
5. Which of the following would disqualify a taxpayer from filing a Form 1040EZ?
	1. The taxpayer has interest income of $500.
	2. The taxpayer has total income of $74,000.
	3. The taxpayer is age 63.
	4. The taxpayer has one dependent.
6. Which of the following would disqualify a taxpayer from filing a Form 1040EZ?
	1. Has no dependents.
	2. Has total taxable income under $100,000.
	3. Be age 68 and not blind.
	4. Has interest income less than $1,500.
7. Employers report wage income to employees on a:
	1. Form W-3.
	2. Form W-2.
	3. Form 1099-E.
	4. Form 1099-G.
8. Interest payers (banks, savings and loans, insurance companies, etc.) report interest earnings to taxpayers on a:
	1. Form 4070.
	2. Form W-2-INT.
	3. Form 1099-INT.
	4. Form 1099-INC.
9. On Form 1040EZ, the permitted deduction from income for a single taxpayer is: A) $1,500.

B) $10,350. C) $20,700. D) $0.

1. In terms of dollars, wage-earning taxpayers will normally pay the majority of their tax liability:
	1. In advance in January.
	2. When they file their tax return.
	3. In the following tax year.
	4. Through withholding from their wages.
2. Victoria determined her tax liability was $6,145. Her employer withheld $6,451 from her paychecks during the year. Victoria's tax return would show:
	1. A refund of $6,451.
	2. Tax due of $6,145.
	3. A refund of $306.
	4. Tax due of $306.
3. The tax liability for a single individual with taxable income of $67,293 is: A) $12,590.

B) $9,164. C) $11,116. D) $12,594.

1. The tax liability for a married couple with taxable income of $55,747 is: A) $9,703.

B) $8,229.

C) $7,431.

D) $7,435.

1. For equivalent amounts of taxable income, the total tax liability of a single individual:
	1. Will be more than married filing jointly.
	2. Will be more than married filing separately.
	3. Will be less than married filing jointly.
	4. Cannot be determined with the information provided.
2. Hamad is an employee of Mountain Company. He properly completed his Form 1040EZ tax return and was required to pay the IRS $1,374 at the time of filing. He had income tax withholding during the year of $4,429. His tax liability for the year was:

A) $4,429.

B) $1,374.

C) $5,803.

D) $3,055.

1. Alice is an employee of Valley Company. She properly completed her Form 1040EZ tax return and received a refund from the IRS of $1,293. Alice had income tax withholding during the year of

$4,881. Her tax liability for the year was:

A) $4,881.

B) $6,174.

C) $1,293.

D) $3,588.

1. Peter and Penelope are married and have combined W-2 income of $76,861. They paid an additional $529 when they filed their taxes. How much income tax did their employers withhold during the year?

A) $11,290. B) $6,970.

C) $8,028. D) $10,232.

1. Taxpayers who do not have qualifying health care insurance coverage can receive an exemption. Which of the following is NOT a permitted exemption?
	1. Gross income greater than $10,350 for single taxpayers.
	2. If the taxpayer went without coverage for one month during the year.
	3. Income is below the level required to file an income tax return.
	4. The cost of the lowest-cost coverage exceeds 8% of household income.
2. Carla is age 64 and Xavier is age 66. They file their tax return as married filing jointly. During all of 2016 they did not have qualifying health coverage nor were they eligible for an exemption. Their household income was $84,990. What is the amount of shared responsibility payment they must report on their 2016 income tax return?

A) $1,576 B) $695 C) $2,125 D) $1,390

1. Which of the following trial courts hear tax cases?
	1. U.S. Court of Federal Claims.
	2. U.S. District Court.
	3. U.S. Tax Court.
	4. All of these.
2. Which court hears most of the litigated tax disputes between the IRS and taxpayers?
	1. U.S. Court of Federal Claims.
	2. U.S. Tax Court.
	3. U.S. District Court.
	4. None of these.
3. Which of the following are primary sources of tax authority?
	1. Statutory sources.
	2. Judicial sources.
	3. Administrative sources.
	4. All of these.
4. Which of the following is a statutory source of tax authority?
	1. Tax Court decision.
	2. IRS Regulation.
	3. Internal Revenue Code.
	4. Revenue Ruling.
5. Which of the following is an administrative source of tax law?
	1. Private Letter Ruling.
	2. IRS Regulation.
	3. Revenue Ruling.
	4. All of these.
6. Which of the following types of Regulations is the strongest tax authority?
	1. Final.
	2. Temporary.
	3. Proposed.
	4. Legislative.
7. Which of the following refers to an income tax regulation? A) Reg. §20.2032-1.

B) Reg. §31.3301-1. C) Reg. §25.2503-4. D) Reg. §1.162-5.

1. Which of the following is correct with respect to Private Letter Rulings?
	1. Issued when a taxpayer wants to know the tax treatment of a specific tax situation.
	2. Both issued when a taxpayer wants to know the tax treatment of a specific tax situation and provides tax authority only to the taxpayer to whom it is issued.
	3. Provides tax authority only to the taxpayer to whom it is issued.
	4. Can be relied upon by all taxpayers in a similar tax situation.
2. Which of the following courts has the highest tax validity?
	1. U.S. Tax Court.
	2. U.S. Court of Federal Claims.
	3. U.S. District Court.
	4. Court of Appeals for the Fifth Circuit.
3. Under the provisions of Circular 230, paid tax preparers must:
	1. Be an Enrolled Agent.
	2. Pass a competency examination.
	3. Provide a covered opinion.
	4. Inform the client if the client has made an error in a document submitted to the IRS.
4. Paid tax preparers must comply with all of the following EXCEPT:
	1. Pass a competency examination.
	2. Charge a contingent fee.
	3. Comply with the provisions of Circular 230.
	4. Sign all tax returns they prepare.
5. Circular 230:
	1. Applies to all individuals who do not use the services of a paid tax preparer.
	2. States that paid preparers can be paid for tax services by cashing a client's IRS refund check.
	3. Establishes penalties for failure to comply with its provisions.
	4. Applies only to preparation of tax returns by paid preparers.
6. A tax rate that remains the same as the tax base increases is an example of what kind of tax rate structure?
	1. Regressive.
	2. Proportional.
	3. Recessive.
	4. Progressive.
7. Sallie earned $25,000 and paid $2,000 of income tax; Theodore earned $35,000 and paid $2,900 of income tax. The tax rate structure they are subject to is:
	1. Proportional.
	2. Regressive.
	3. Progressive.
	4. Recessive.
8. Sallie earned $85,000 and paid $5,950 of income tax; Theodore earned $33,000 and paid $2,310 of income tax. The tax rate structure they are subject to is:
	1. Recessive.
	2. Progressive.
	3. Regressive.
	4. Proportional.
9. Which of the following is not an example of a proportional tax?
	1. State and local taxes levied on property.
	2. Sales tax.
	3. Medicare taxes.
	4. Federal income tax.
10. With respect to the income tax formula, which of the following statements is correct?
	1. Total income and taxable income are the same number.
	2. Tax credits are not used when making tax liability calculations.
	3. Taxable income is multiplied by a single tax rate to determine tax liability.
	4. It is almost always the case that the tax return will either show a tax refund or an additional tax liability.
11. Which of the following statements is false with respect to marginal and average tax rates?
	1. The marginal rate is the proportion of tax paid on the next dollar of taxable income.
	2. The average rate is the percentage of tax paid on the entire amount of taxable income.
	3. For most taxpayers, the average rate is larger than the marginal rate.
	4. For taxable income greater than the lowest tax bracket, the average rate is always greater than the lowest marginal rate and less than the highest marginal rate.
12. Tameka has taxable income of $84,575 that is taxed as follows:

|  |  |
| --- | --- |
| $9,275 × 10% = | $ 927.50 |
| ($37,650 - $9,275) × 15% = | 4,256.25 |
| ($84,575 - $37,650) × 25% = | 11,731.25 |
| Total tax | $ 16,915.00 |
| Her marginal tax rate is: |  |

A) 25%.

B) 15%.

C) 10%.

D) 20%.

1. Tameka has taxable income of $84,575 that is taxed as follows:

|  |  |
| --- | --- |
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| ($37,650 - $9,275) × 15% = | 4,256.25 |
| ($84,575 - $37,650) × 25% = | 11,731.25 |
| Total tax | $ 16,915.00 |
| Her average tax rate is: |  |

A) 15%.

B) 10%.

C) 25%.

D) 20%.

1. Which of the following would disqualify a taxpayer from filing a Form 1040EZ?
	1. The taxpayer had no dependents.
	2. The taxpayer has interest income of $1,900.
	3. The taxpayer was single.
	4. The taxpayer was age 63.
2. The least-complex individual income tax return is a Form:
	1. 1040 Simple. B) 1040EZ.

C) 1040A. D) 1040.

1. Taxpayers can file a Form 1040EZ if they file using which of the following:
	1. Married filing jointly.
	2. Head of household.
	3. Qualifying widow(er).
	4. Married filing separately.
2. Unemployment compensation income is reported to a taxpayer on a Form: A) 1099-UN.

B) W-2.

C) 1099-G. D) 1099-INT.

1. On Form 1040EZ, the permitted deduction from income for a married filing jointly taxpayer is: A) $20,700.

B) $1,500. C) $10,350.

1. None of these.
2. Which of the following statements is true?
	1. Compensation for services includes bonuses and severance pay.
	2. Gross income is the "tax base" used to determine the amount of tax.
	3. Taxpayers who use a Form 1040EZ are not required to report any interest income in excess of

$1,500.

* 1. If income tax withholding is less than the calculated tax liability, there will be tax due with the return.
1. The tax liability for a single individual with taxable income of $88,312 is: A) $18,849.

B) $13,624. C) $17,853. D) $18,224.

1. Horace properly completed his Form 1040EZ tax return and received a refund from the IRS of

$649. Horace had income tax withholding during the year of $2,985. His tax liability for the year was:

A) $2,336 B) $3,634 C) $649 D) $2,985

1. Which of the following refers to an income tax regulation? A) Reg. §31.3301-1.

B) Reg. §1.162-1. C) Reg. §25.2503-4. D) Reg. §20.2032-1.

1. Which of the following types of Regulations take the place of the Internal Revenue Code and have the full effect of law?
	1. Temporary.
	2. Legislative.
	3. Proposed.
	4. Final.
2. Which of the following courts hears only tax cases?
	1. U.S. Court of Appeals.
	2. U.S. District Court.
	3. U.S. Tax Court.
	4. U.S. Court of Federal Claims.
3. Which of the following statements is correct?
	1. Temporary Regulations expire three years after issuance.
	2. Upon deciding a tax case, the court will issue a Revenue Ruling.
	3. The Internal Revenue Code pertains only to income taxes.
	4. Private Letter Rulings are issued by the IRS and are considered to be general tax authority.
4. Which of the following statements is correct?
	1. Paid preparers must inform the client if the client has made an error in a document submitted to the IRS.
	2. Under Circular 230, contingent fees are permitted if disclosed in writing.
	3. Individuals who prepare their own tax returns are subject to Circular 230.
	4. All of the statements are correct.
5. A state or local sales tax is an example of a:
	1. Recessive tax structure.
	2. Proportional rate structure.
	3. Regressive rate structure.
	4. Progressive rate structure.
6. A tax rate that increases as the tax base increases is an example of what kind of tax rate structure?
	1. Recessive.
	2. Proportional.
	3. Progressive.
	4. Regressive.
7. Jake earned $15,000 and paid $1,500 of income tax, while Jill earned $40,000 and paid $6,000 of income tax. The tax rate structure they are subject to is:
	1. Recessive.
	2. Progressive.
	3. Proportional.
	4. Regressive.
8. Xavier is single and has taxable income of $46,975 that is taxed as follows:

|  |  |
| --- | --- |
| $9,275 × 10% = | $ 927.50 |
| ($37,650 - $9,275) × 15% = | 4,256.25 |
| ($46,975 - $37,650) × 25% = | 2,331.25 |
| Total tax | $ 7,515.00 |
| His average tax rate is: |  |

A) 15%.

B) 16%.

C) 25%.

D) 10%.

1. Xavier is single and has taxable income of $46,975 that is taxed as follows:

|  |  |
| --- | --- |
| $9,275 × 10% = | $ 927.50 |
| ($37,650 - $9,275) × 15% = | 4,256.25 |
| ($46,975 - $37,650) × 25% = | 2,331.25 |
| Total tax | $ 7,515.00 |
| His marginal tax rate is: |  |

A) 16%.

B) 10%.

C) 15%.

D) 25%.

1. With respect to the income tax formula, which of the following statements is incorrect?
	1. Taxpayers are allowed certain deductions from income.
	2. When calculating the tax refund or tax due with the return, taxpayers need to subtract tax payments and tax credits from their tax liability.
	3. The simplified income tax formula is only applicable to taxpayers with taxable income less than $100,000.
	4. For many taxpayers, the simple income tax formula is sufficient to determine tax liability.
2. Which of the following would disqualify a taxpayer from filing a Form 1040EZ?
	1. Have interest income more than $2,000.
	2. Have no dependents.
	3. Be under age 65 and not blind.
	4. Have total taxable income under $100,000.
3. On Form 1040EZ, the permitted deduction from income for married taxpayers is: A) $20,700.

B) $31,050. C) $1,500. D) $10,350.

1. Victoria determined her tax liability was $6,451. Her employer withheld $6,145 from her paychecks during the year. Victoria's tax return would show
	1. A refund of $6,451.
	2. Tax due of $306.
	3. Tax due of $6,145.
	4. A refund of $306.
2. For equivalent amounts of taxable income, the total tax liability of a couple using the married filing jointly status:
	1. Will be more than single filing status.
	2. Will be more than married filing separately status.
	3. Will be less than single filing status.
	4. Cannot be determined with the information provided.
3. Alice is an employee of Valley Company. Alice properly completed her Form 1040EZ tax return and received a refund from the IRS of $1,244. Alice had income tax withholdings during the year of $4,782. Alice's tax liability for the year was:

A) $4,782.

B) $3,538.

C) $6,026.

D) $1,244.

1. The tax liability for a married couple with taxable income of $73,209 is: A) $14,074.

B) $10,056. C) $10,054. D) $14,078.

1. Which of the following types of Regulations take the place of the Internal Revenue Code and have the full effect of law?
	1. Final.
	2. Legislative.
	3. Proposed.
	4. Temporary.
2. The following court hears only tax cases:
	1. U.S. Court of Appeals.
	2. U.S. District Court.
	3. U.S. Court of Federal Claims.
	4. U.S. Tax Court.
3. Federal tax legislation generally originates in which body?
	1. Internal Revenue Service.
	2. Supreme Court.
	3. Senate Finance Committee.
	4. House Ways and Means Committee.
4. Which type of tax rate structure is each of the following types of tax: sales, federal income, social security, flat, Medicare?
5. What is the definition of a proportional tax?
6. What is the definition of a regressive tax?
7. What is the average tax rate and how is it determined?
8. What is the marginal tax rate and how is it determined?
9. A married couple has taxable income of $83,125 and tax liability of:

|  |  |
| --- | --- |
| $18,550 × 10% = | $ 1,855.00 |
| ($75,300 - $18,550) × 15% = | 8,512.50 |
| ($83,125 - $75,300) × 25% = | 1,956.25 |
| Total tax liability | $12,323.75 |

Determine their marginal tax rate and their average tax rate. (Round your answers to 2 decimal places)

1. There are six criteria a taxpayer must meet in order to file a Form 1040EZ. List them.
2. Your friend works as a salaried employee of a large local corporation. She told you that she paid

$2,592 when she filed her tax return so her tax liability was equal to that amount. What is the fallacy in her statement?

1. Alex is single and had W-2 income of $59,989 and interest income of $354. What is his taxable income?
2. Determine the tax liability in each of the following cases.
3. Single individual, taxable income of $54,985.
4. Married couple, taxable income of $66,717.
5. Single individual, wage income of $82,437. No other sources of income.
6. The Tax Tables generally provide a slightly different tax liability when compared to the Tax Rate Schedules. For each of the following amounts of taxable income, determine whether the tax calculated using the Tax Tables will be larger, smaller, or the same as the tax calculated using the Tax Rate Schedules.

|  |  |
| --- | --- |
| a. | $76,880 |
| b. | $82,225 |
| c. | $54,711 |
| d. | $99,201 |
| e. | $99,198 |

1. Describe the legislative process for enacting a new tax law.
2. What are Revenue Rulings and Revenue Procedures?
3. What is a Private Letter Ruling (PLR)? What tax authority is provided by a PLR?
4. Describe the various courts that hear tax cases. Include both trial courts and appellate courts in your discussion.
5. Circular 230 applies to paid tax preparers. The Circular provides a list of requirements which paid preparers MUST and MUST NOT do. List five items which paid preparers MUST do and five items which they MUST NOT do.