



[Name of Student]

[Name of Institute]

## Table of Contents

Tax Research Memo .....	2
Relevant Facts .....	2
Specific Issues .....	2
Conclusions .....	2
Support .....	4
Actions to Be Taken .....	5



## *Tax Research Memo*

Mak Anderson

California, US

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### *Relevant Facts*

Robert Jones was only a tax master observer in an IRS case. The taxpayer is guaranteeing repayment of Jones' expenses and sums paid to his lawyer at the hour of the introduction of the case. Jones' rate for this kind of agreement is \$500 each hour, which is the market rate for such administrations in his city, in addition to individual costs (Huber et al., 2020).

### *Specific Issues*

What amount of Jones' eminences will the taxpayer get?

### *Conclusions*

Inside Revenue Code 7430(c) approves the Internal Revenue Service (IRS) and government courts to grant lawful harms to any taxpayer who goes against the United States. Prosecution repayment incorporates legitimate charges and taxpayer-payer master expenses when the IRS doesn't verify that their situation in regulatory or legal actions was substantially defended and when the taxpayer meets the entirety of the accompanying 7430 prerequisites. For this situation, the accompanying ought to be referenced applicable necessities (Nellen & Franklin, 2015):

- The taxpayer has not irrationally expanded the debate

- The taxpayer documented a case through a regulatory allure with the IRS.
- Later on, the taxpayer "made a critical increase" at the tax specialists.

The income tax, or Income Tax in English, was decreed in 1862, in the midst of the Civil War. The purpose of this tax was to support the war effort in favour of the Northern Union States against the Southern Confederate States. Despite the peace three years later, the Income Tax was subsequently maintained. However, it will not be officially included in the constitution of the United States until 1913, which is all the same a year earlier than in other countries (Steyn et al., 2019).

The Internal Revenue Service, the government agency responsible for its collection, was created on 1st July 1862. But the Revenue Act, like other tax laws enacted during the 19th century, is one after the other declared unconstitutional by the Supreme Court. From a minimal amount at the start (2% of the revenues of the federal budget of the United States), it gradually increased, in particular with the rise of the welfare state and represented in 2014 nearly 50% of the revenues. taxes collected by the government (Perfetti, 2017).

Each American taxpayer has to pay three different taxes. He must in fact pay:

- a federal tax
- a state tax
- a local tax (in some cities, such as New York)

This tripartite remedy is similar to the Swiss tax system. Unlike many countries, these taxes have to be paid separately. In addition, state taxes and local taxes are different for each locality. This is the case in Canada, for example. You will therefore pay your tax at a different rate depending on whether you live in Louisiana or New York (Ashford, 2011).

The taxpayer must calculate the amount of his taxes himself. In most cases, taxpayers prefer to hire third-party companies to do this calculation for them!

The taxpayer has the privilege to request the arrangement of court expenses and charges within 30 days by true letter and/or toward the finish of the taxpayer's interaction; in any case, the taxpayer will be excluded/denied of the right to repayment of costs. Based on the data gave before, the taxpayer has mentioned remuneration sooner or later; accordingly pay ought to be thought of. In the event that the procedural prerequisites of 7430 are met, the taxpayer might recuperate sensible legitimate expenses from the United States for the benefit of his master observer (Nellen & Franklin, 2015).

According to 7430(c)(1)(B)(iii), “the reasonable fees paid or incurred for the services in connection with the court proceeding, shall not be in excess of \$125 per hour unless the court determines that a special factor, the difficulty of the issues presented in the case, or the local availability of tax expertise, justifies a higher rate”. Thus, the taxpayer could charge a sensible (least) measure of \$125 each hour (expansion as well as at the caution of the court might build the premium) from Robert Jones, a specialist witness. This is the very sum that can be repaid for taxpayers' lawyer charges. This sum is \$375 not exactly the sum charged by Mr Jones. About 25% of the costs will be repaid (Barrick et al., 2004).

#### *Support*

- 7430 (b) (1) Restrictions; Exhaustion of required authoritative assets
- 7430 (c) (1) (B) (iii) Reasonable legitimate charges dependent on winning business sector rates
- 7430 (c) (4) (A) (I) (I) Winner - Total: Amount in Dispute
- 7430 (c) (4) (A) (ii) Dominant Side - Overall: Main Issue
- 7430 (b) (3) The United States is in a generally defended position, losing ground on basically comparative issues (Ax et al., 2014).

*Actions to Be Taken*

\_\_\_\_\_ Discuss with client. Date discussed \_\_\_\_\_

\_\_\_\_ x \_\_\_\_ Prepare a memo or letter to the client

\_\_\_\_\_ Explore other fact situations

\_\_\_\_\_ Other action. Describe \_\_\_\_\_

\_\_\_\_\_

Preparer \_\_\_\_\_ Reviewer \_\_\_\_\_ Partner \_\_\_\_\_



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