

**FINAL EXAMINATION
FEDERAL INCOME TAXATION
PROFESSOR G. FLINT**

**ESSAY
PLEASE READ CAREFULLY**

**ALL ANSWERS ARE TO BE WRITTEN ON THE BLUE BOOKS
PROVIDED WITH THIS EXAM**

There are three questions (time and percent indicated). The Time for completing the examination is three hours.

1. This examination is "open book". You may use your casebook, statutory supplement, and class notes. Use of calculators and cleansed laptops is permitted.
2. Be sure to answer the specific question that is asked. Information supplied relating to some unasked question will not increase your score and consumes you time needed to answer the asked questions.
3. If additional facts are necessary to resolve an issue, specify what additional facts you believe to be necessary and why they are significant. You may not make an assumption that changes or contradicts the stated facts.
4. Quality, not quantity, is desired. Think through and briefly outline your answer before you begin to write.
5. Write legibly. Be sure to formulate your answers in complete sentences and paragraphs with proper grammar. Failure to do so will result in an appropriately lower score.
6. Do not seek an interpretation of language in the question from anyone. If you sense ambiguity or typographical error, correct the shortcoming by shaping the question in a reasonable way and by recording your editorial correction in your answer.

Under the Honor Code, when you turn in this examination, you affirm that you have neither given, received, not obtained aid in connection with this examination, nor have you known of any one so doing. If you cannot make this affirmation, you shall note such fact on your examination and must immediately advise the Dean of the reason therefore.

NOTE FOR ALL QUESTIONS--For purposes of those items that are adjusted annually by the Treasury Department to reflect inflation, use the numbers on the 2001 tax return provided with the syllabus. Also use the tax rates contained in the version of the Internal Revenue Code contained in the Supplement. Assume a federal rate of 10 %.

I. (33.3 %--1 hour)

The United States uses a self-assessment system for assessing the federal income tax. Describe the various techniques that Congress and the Internal Revenue Service have devised to prevent the overstatement of deductions. Explain the problem to which each technique is directed, the mechanism developed by the federal authorities with references to cases, code sections, and regulations, and how the mechanism achieves or fails to achieve the desired effect. Provide examples

II. (33.3%--1 hour)

One of the future changes to the federal income tax legislation is to eliminate the marriage tax penalty. Explain what the marriage tax penalty is, who is penalized by the penalty, and how the situation came about, with references to cases, code sections, and regulations. Is it fair as is or not? Provide numerical examples. Why or why not should the marriage tax penalty be changed?

III. (33.3 %--1 hour)

The United States uses a self-assessment system for assessing the federal income tax. Describe the various techniques that Congress and the Internal Revenue Service have devised to prevent the understatement of income. Explain the problem to which each technique is directed, the mechanism developed by the federal authorities with references to cases, code sections, and regulations, and how the mechanism achieves or fails to achieve the desired effect. Provide examples