

Assignment 7 - Tax Research

Online Tax Research Problem

Our client is a small business that has paid a programmer to develop software specifically for the client. Our client wants to be able to deduct the full cost of developing the software from this year's taxes as a research expenditure. Can the full cost be deducted from the taxes due this year or must the cost be capitalized over the course of several years?

1. If you were to recommend to another attorney the best way to research this issue, which sources would you suggest? Why?
2. On Westlaw, RIA's United States Tax Reporter (USTR) service offers access either through the table of contents or through a full-text search. For purposes of this assignment, begin by running a full-text search in USTR. What search would you use based upon our problem?
3. Based upon the results, which I.R.C. section appears to be most relevant to this issue?
4. How can you retrieve and read the code section you identified in Questions 3 above in USTR?

5. After regulations, other I.R.S. produced materials, like revenue rulings, revenue procedures, and all the others should be located. Is there a revenue ruling or procedure that is relevant for your issue?

6. Even though the tax service provided by RIA is a great resource, it will not always reference all relevant materials. You should not rely upon this and similar services to lead to all relevant material. For example, they will not necessarily discuss all General Counsel Memorandums or Private Letter Rulings that may be relevant. To overcome this shortfall, you should also run searches in the Westlaw or Lexis tax databases that cover all IRS releases. Using Lexis, run a search in the database that covers all regulations, revenue rulings, revenue procedures, letter rulings and technical advice memoranda. Did you find anything that is relevant? One additional relevant source is sufficient.

7. As mentioned in class, BNA produces the Tax Management Portfolios. Using Lexis, run a search to find any relevant portfolios. What search would you run and list one source that looks relevant?

8. In addition to the materials previously mentioned, don't forget law review articles that may discuss the issue. What options for databases do you have for locating articles on either Lexis or Westlaw and why would you select one over the other? List one article that looks like it would discuss the topic.

9. Once you have an authority, you should remember to use the citators to check and see if it is still good law and find additional authority. You should have located a revenue procedure from 2000 that is relevant to the issue. Use Shepards, KeyCite, and RIA Federal Taxes Citator Second on Westlaw to check on the revenue procedure. What differences do you notice between these citators?