

Tax Court in the Classroom

submitted to the
American Taxation Association/Deloitte
Teaching Innovation Award Committee

by

Marguerite R. Hutton, PhD, CPA
Professor and CBE Distinguished Teaching Fellow
Department of Accounting
College of Business and Economics
Western Washington University
Parks Hall 451
516 High Street
Bellingham, WA 98225-9071
Office: (360) 650-4889
Home: (360) 671-8466
Fax: (360) 650-4844
Email: Zite.Hutton@wwu.edu

January 2009

Summary of Innovation

Tax Court in the Classroom

"Tax Court was great!"
(Student comment, Tax Research and Planning)

Introduction:

One of the goals of education is to provide students with professional tools which assist them in preparing for future success. One of our most significant challenges as educators is to enhance student communication skills, analytical skills, and research skills. I have developed a model where students combine all of these skills in Mock Tax Court. This has successfully and significantly assisted students in improving their communication and analytical skills.

Mock Tax Court has had a significant positive impact in our Tax Research and Planning course, where the Mock Tax Court process is used to conclude the course. Preparation for Tax Court requires that the students utilize the tax research and planning skills developed throughout the course, analytically plan a strategy for their case, as well as argue the issue orally before the class and an accounting professional who acts as judge for the court session. The students are not evaluated based on the judge's decision, but by the entire class on vocal clarity, whether their presentation is easy to follow and makes sense, their persuasiveness, the completeness of their argument, and whether, overall, the argument was presented well.

This method has been shown to have major benefits to the students, since members of the class benefit not only from their own research and presentation, but also from their observation of the oral arguments provided by other students.

Brief description of the course in which the innovation was used:

The course (Tax Research and Planning) in which this pedagogy was used is a senior level (undergraduate) tax elective, which has a required prerequisite of Income Taxation I. The course is offered once per academic year, and generally has an enrollment of 24 to 32 undergraduate accounting students.

In *Tax Research and Planning*, students are assigned to "consulting groups." Each group consists of four to five students with diverse experience and course backgrounds (although the basic course in taxation is a prerequisite for all students), as well as diverse problem-solving abilities. Throughout the course, students perform individual tax research on a portion of the assigned research cases, then integrate the individual research results for each case into an group memorandum (executive summary) which includes planning strategies for the case. Communication, analytical, and research skills are developed as research case assignments increase in difficulty and the level of expertise needed as the course progresses. Feedback (from peer reviews and the professor) is utilized throughout the learning process in order to monitor student progress and development of critical thinking skills.

The approach to the final research case in the course is somewhat different, when the students individually prepare to argue an issue in Mock Tax Court. Several sessions of Mock Tax Court are held as part of the Tax Research and Planning course, so that each student presents and argues an issue. Judges for Mock Tax Court are invited from the accounting profession. I try to have a mixture of judges who work with taxation and judges who do not, so that students can see how the judges' rulings may differ. Each court case includes several issues. Students' abilities to think and respond rapidly are utilized as two students are assigned to each tax issue, but on opposing sides (plaintiff vs. defendant). All students not participating in a particular court case rate the

participants on such factors as vocal clarity, understandability, persuasiveness, and the technical coverage of their oral argument, thus stimulating active participation and encouraging development of listening skills.

The unique features of the innovation:

The Mock Tax Court process is described below:

Each consulting group (generally consisting of 4 or 5 students) is paired with another consulting group and assigned a particular “court date.” For each court date, one group is designated as the counsel for the taxpayer and one group is the counsel for the government. These selections are most commonly accomplished by each group determining their most preferred and least preferred dates for court, and stating their preference to represent either the taxpayer or the government. Any conflicts are resolved by coin flips or random drawings.

A case containing separate issues is assigned for each court date. Cases are sufficiently simple that presenting students are able to present facts, authority, and reasoning in the brief amount of time allotted. In addition, the issues are designed to be issues that either side could win. (See Exhibit 1 for a sample court case.) One student in each consulting group selects an issue to research and argue. For example, one student in Consulting Group A argues Issue #1 on behalf of the taxpayer, and one student in Consulting Group B argues the same issue on behalf of the government. Students research their own issue, concentrating not only on authority and reasoning to support their position, but also on refuting the opposing position. Each student is required to create a research memorandum reflecting his/her work, which is subjected to peer review within that student’s consulting group prior to their court date. This enhances their professional peer engagement skills. Each student then prepares notes for court from his/her research memorandum.

The format of Mock Tax Court is reviewed with the students. (The format is included in the Exhibit 2.) Students are instructed that it is imperative that the court arguments be conducted in a professional manner, and are encouraged to refer to their opponent as “my esteemed colleague.”

On the court date, the students set up the classroom for court: A table with a podium is placed at the center front of the classroom, flanked by chairs for the students participating in Mock Tax Court. The plaintiff (taxpayer) team is on one side of the podium, the defendant (government) team on the other, and all face the rest of the class. The judge sits facing the podium, with the non-participating students behind the judge. All observers are provided with a Tax Court Review Sheet (see Exhibit 3). The judge is introduced and presented with a gift of a commemorative gavel. A member of the plaintiff team stands and introduces all members of the plaintiff team, and then starts with the facts and arguments for the first issue. The remaining members of the plaintiff team present their arguments. There is a short break for the defendant team to confer, and then the defendant team is introduced and presents their arguments in the same order as the plaintiff team. There is another short break for the plaintiff team to confer, then the plaintiff team has a brief amount of time to present rebuttals, since the plaintiff had not previously heard the defendant’s arguments.

Upon conclusion of the arguments, observing students indicate on their Review Sheet who they believe should win each issue, and turn in their Review Sheets. The judge then gives his/her rulings on each issue, generally supported by his/her reasoning. [Note: The judge has no previous knowledge of the case and does no advance research.] At the following class meeting, students are given a summary of how the class ruled on the issues to compare to the judge’s rulings. This illustrates to students that different conclusions can be reached from the same information presented.

Pedagogical objectives of the innovation:

The three pedagogical objectives of Mock Tax Court are to enhance students’ communication skills, analytical skills, and research skills. I feel that this technique of Tax Court in the classroom has

successfully and significantly assisted students in improving their oral, written, and listening communication skills, while also improving their tax research skills.

The extent to which the pedagogical objectives were met:

My own observation of Mock Tax Court is that it provided students with a vehicle to integrate research, analytical, and communication skills. The added element of an accounting professional as judge is that students were motivated to perform at a high level.

Students, themselves, liked it. Students responded to an anonymous questionnaire, administered in conjunction with normal student/teacher evaluations. 100% of the students responded positively to "Did you enjoy participating in Mock Tax Court?" 100% of students felt that they had received value from participating in Mock Tax Court, with almost 90% of students rating the value as high or very high. 100% of the students responded positively to the question: "Did participating in Mock Tax Court improve your oral communication skills?" This level of positive response has held steady over the last several years the learning methodology was being developed and refined.

In written evaluations, students have reacted positively to the benefits derived from Mock Tax Court. Examples of student comments include:

"Tax Court was great!"

"I thought Tax Court was really a good idea. It was fun to observe and participate in. It was also very challenging to prepare for two sides of an issue... Keep doing it!"

Finally, our guest judges have also stated that they were impressed by the high quality of presentations and arguments. They have commented not only on the students' thorough understanding of the issues, but also on the clear analyses and persuasive arguments. I believe that this shows that students responded well to the challenge of Mock Tax Court.

The extent to which the innovation is transferable:

This technique has great potential for use in a variety of tax courses. It can be used in any tax course, from an introductory course to an advanced graduate course, where students have acquired basic tax research skills. I believe, however, that in order for Mock Tax Court to work effectively that students must be provided cases that can be won by either side and can be covered thoroughly in the time available. Also, the elements of preparation for supporting and opposing arguments by both sides must be emphasized by the instructor. It takes a thorough understanding of all sides of an issue to be able to present and defend an issue orally in a pressured environment.

Conclusion:

As stated previously, one of our most significant challenges as educators is to enhance student communication skills, analytical skills, and research skills. Participation in Mock Tax Court has successfully and significantly assisted students in improving their communication and analytical skills, as well as further developing their research skills. Finally, Mock Tax Court may be used as a valuable component in any tax course, introductory through advanced, provided that students have basic tax research skills.

**Exhibit 1
Tax Court
Sample Court Case**

Taxpayer – Group E
Government – Group C

Mock Tax Court Case "B"

Percy Pigeon is an accountant and a scoutmaster. His wife, Pauline, has been very ill (see below). The Pigeons have been audited with regard to the income tax treatment of certain of their expenses. The IRS disallowed these expenses at both the examination and appeals level, and now the case is going to court. The issues in dispute (all of which were expenses deducted on the Pigeons' tax return) follow:

1. Percy Pigeon took the CMA exam (Certificate in Management Accounting) in the tax year in question. While he realized that it was not a necessary credential, he feels that a CMA certificate is a professional distinction which will help his career somewhat in public accounting, and that it would be a big boost if he should ever decide to switch to a career in corporate accounting. To prepare for the CMA exam, he took a four month leave of absence from his job in order to take a CMA review course. The IRS has disallowed the cost of the CMA review course, as well as the fee to take the CMA exam.
2. Percy is also a scoutmaster. He decided to teach all of his scouts to cook in order to earn a troop merit badge, and bought aprons for himself and his scouts (the troop has 12 members; 2 are his nephews). Percy deducted the cost of the aprons as a charitable contribution. The IRS has disallowed the cost of the aprons.
3. Pauline had radiation therapy for a cancerous brain tumor during the year in question. (The cancer is now in remission.) The radiation therapy caused all of Pauline's hair to fall out. Pauline is *extremely* embarrassed about being bald, and her head also gets cold easily. She bought 2 wigs (\$500 each) and 6 hats (\$50 each) during the tax year in question, and deducted all of the cost as a medical expense. The IRS disallowed the cost of the wigs and hats.
4. Percy and Pauline's son is severely developmentally disabled and is 300th on a waiting list for residential adult family living. Percy and Pauline have purchased a house and donate it to the charitable organization ("Adult Freedom") that provides adult family living facilities for developmentally disabled persons, on the condition that their son be one of the 10 tenants in the home. They deducted the fair market value of the house (which was also their cost of the house) as a charitable contribution. The IRS has disallowed the charitable contribution.

**Exhibit 2
Process & Review for
Tax Court**

Your consulting group will be either:

- The attorneys for the taxpayer (plaintiff, since the taxpayer petitions for a case to go to Tax Court), OR
- The attorneys for the government (the defendant).

Whether your group will be the *plaintiff* (taxpayer) or the *defendant* (government) will be determined in advance.

Peer reviews of your cases will be conducted *within* your consulting group, in class, on the date in the syllabus. There will be only one peer review of this case.

You will turn in your case file, *including* any notes you made for use in court, immediately following your “day in court” (on that same day).

Order of court proceedings:

1. The judge will be introduced
2. The first team (plaintiff) will present all 4 of their issues. (**5 minutes maximum** for each **issue**.)
3. There will be a **2** minute "recess" for the defendant team to confer.
4. The second team (defendant) will present all 4 of their issues. (**5 minutes maximum** for each **issue**.)
5. There will be a **2** minute "recess" for the plaintiff team to confer.
6. The plaintiff team will offer a rebuttal, *if* they so desire. (Total time = 4 minutes **maximum**.)

(Total maximum scheduled time for entire case is 48 minutes.)

This is a sample of a *portion* of the review sheet for our Tax Court. The actual evaluation form will contain a scale for rating *each* of the presenters. You will also be asked (on the review sheet) to “judge” the winner of each issue.

Issue #1: (Plaintiff/Taxpayer)	NO				YES
Voice is clear	1	2	3	4	5
Easy to follow; makes sense	1	2	3	4	5
Presenter is persuasive	1	2	3	4	5
Presentation is technically complete	1	2	3	4	5
Overall, the argument was presented well	1	2	3	4	5

Exhibit 3 Tax Court Review Sheet

Tax Court Review Sheet Spring 2008

Name _____

Researcher Number _____

Date _____

Order of court proceedings:

1. The judge will be introduced
2. The first team (plaintiff) will present all 4 of their issues. (5 minutes maximum for each issue.)
3. There will be a 2 minute "recess" for the defendant team to confer.
4. The second team (defendant) will present all 4 of their issues. (5 minutes maximum for each issue.)
5. There will be a 2 minute "recess" for the plaintiff team to confer.
6. The plaintiff team will offer a rebuttal, if they so desire. (Total time = 4 minutes maximum.)

(Total scheduled time for entire case is 48 minutes.)

*Plaintiff = Taxpayer
Defendant = Government*

If you were the judge, how would you rule on each issue?

- **Issue #1:** Plaintiff Defendant (circle one)
- **Issue #2:** Plaintiff Defendant (circle one)
- **Issue #3:** Plaintiff Defendant (circle one)
- **Issue #4:** Plaintiff Defendant (circle one)

Issue #1: (Plaintiff)	NO	YES
Voice is clear	1 2 3 4 5	
Easy to follow; makes sense	1 2 3 4 5	
Presenter is persuasive	1 2 3 4 5	
Presentation is technically complete	1 2 3 4 5	
Overall, the argument was presented well	1 2 3 4 5	

Issue #1: (Defendant)	NO	YES
Voice is clear	1 2 3 4 5	
Easy to follow; makes sense	1 2 3 4 5	
Presenter is persuasive	1 2 3 4 5	
Presentation is technically complete	1 2 3 4 5	
Overall, the argument was presented well	1 2 3 4 5	

Issue #2: (Plaintiff)	NO	YES
Voice is clear	1 2 3 4 5	
Easy to follow; makes sense	1 2 3 4 5	
Presenter is persuasive	1 2 3 4 5	
Presentation is technically complete	1 2 3 4 5	
Overall, the argument was presented well	1 2 3 4 5	

Issue #2: (Defendant)	NO	YES
Voice is clear	1 2 3 4 5	
Easy to follow; makes sense	1 2 3 4 5	
Presenter is persuasive	1 2 3 4 5	
Presentation is technically complete	1 2 3 4 5	
Overall, the argument was presented well	1 2 3 4 5	

Issue #3: (Plaintiff)	NO	YES
Voice is clear	1 2 3 4 5	
Easy to follow; makes sense	1 2 3 4 5	
Presenter is persuasive	1 2 3 4 5	
Presentation is technically complete	1 2 3 4 5	
Overall, the argument was presented well	1 2 3 4 5	

Issue #3: (Defendant)	NO	YES
Voice is clear	1 2 3 4 5	
Easy to follow; makes sense	1 2 3 4 5	
Presenter is persuasive	1 2 3 4 5	
Presentation is technically complete	1 2 3 4 5	
Overall, the argument was presented well	1 2 3 4 5	

Issue #4: (Plaintiff)	NO	YES
Voice is clear	1 2 3 4 5	
Easy to follow; makes sense	1 2 3 4 5	
Presenter is persuasive	1 2 3 4 5	
Presentation is technically complete	1 2 3 4 5	
Overall, the argument was presented well	1 2 3 4 5	

Issue #4: (Defendant)	NO	YES
Voice is clear	1 2 3 4 5	
Easy to follow; makes sense	1 2 3 4 5	
Presenter is persuasive	1 2 3 4 5	
Presentation is technically complete	1 2 3 4 5	
Overall, the argument was presented well	1 2 3 4 5	