

Tax Ethics and Role Playing

Teaching Tip for Active Learning from Tim Rupert

Purpose: The exercise is designed to actively engage students while also exposing them to the ethical guidelines from the AICPA for tax practice.

Implementation: I typically use this exercise around the third week of class. By this time, I generally have an idea of the personalities of the students and can determine who might be a good person to involve in the role playing exercise. Generally, I avoid giving the exercise to anyone who is extremely quiet or shy. My experience has been that at this early stage in the semester, if the students who do the role play are extremely uncomfortable with this type of exercise, the role play does not go over very well. So instead, I try to choose the more outgoing students. Typically, I tentatively plan who I will assign to each role before the class session in which I actually use the role play.

In the class session when I plan to do the role plays, I typically try to get to class a few minutes early. During this time, I approach the student and tell them that we are doing a class exercise today and I want them to play an important part. Typically, I use a couple of scenarios in the one class session. So I tell them which scenario they are participating in and I give them their role (see the back page for the handouts that I use). I only give the student their role and I tell them they should not share any information about the role with other students. I usually also tell the students that I want them to be as creative as possible with the role (I usually joke with them that I'm expecting an "Oscar" caliber performance!)

When I get to the point in class that I want to use the role play, I introduce the role plays by informing the class that I now want to focus on situations that tax professionals face. I tell them that rather than just talking about it, I've arranged for a team of professional improv actors to come and perform for them. I then invite the actors for the first scenario to the front of the room. Once the first scenario has played out, I then debrief with the class. What do you think are the professional standards in this type of case? Do you think the tax professional acted appropriately? What penalties might they be subject to? What about the other actors in the scenario? What responsibility do they bear? This discussion is a great opportunity to involve some of the students who are more reluctant to participate in class. Once this discussion winds down, I typically move on to the second scenario and follow the same process.

Benefits: In terms of content, the exercise provides an introduction to some of the ethical issues that CPAs may face and provides a starting point for a discussion about the ethical responsibilities that the profession has developed for itself. More importantly, the exercise provides an active learning exercise for students that engages them in the learning and provides some variety in the classroom which I find to be extremely helpful with today's students.

Situation 1: Role Play for Four Students

Your role: The Taxpayers

You are married taxpayers who file a joint return. Today is April 15 and you have a meeting with your CPA who is supposed to complete your return today. You have the copies of your W-2 (those are the forms that you get from your employer indicating the amount of wages that you earned during the year), but you've lost your copies of the Form 1099 (those are the forms that the bank sends to you to indicate the amount of interest that you earned on your bank account). You both know that the interest was around \$2,900 last year. However, since you have accumulated more savings, the wife estimates that the interest this year is around \$3,500. The husband thinks that because interest rates have dropped, the interest is a lot less than last year (\$2,200). Feel free to argue with each other a bit about this estimate to see how the CPA handles it. Both of you agree that you want to get this taken care of today. You do **not** want to file an extension of your return, so if the CPA suggests this you will both threaten to leave the firm and find another. Demand that he/she call the bank to get the information. You might also question his/her competence.

Your role: The bank

In this scenario, it is April 15 and a couple has come to their CPA to get their tax return completed. Unfortunately, they have lost their Form 1099 (this is the form that the bank sends to its customers to indicate the amount of interest earned on bank accounts). The CPA may try to call the bank for this information. If (s)he does, you will act as the bank. You can do whatever you want to stall them, but do not give them the information they need. You might consider:

telling them to call back tomorrow

telling them the computer system is down

acting like an automated answering system (e.g., Thank you for calling the bank.

Your call is important to us. Unfortunately, all of our customer service representatives are busy with other customers at the moment. etc...)

Your role: The CPA

It is April 15 and you are a CPA. It is 1:00 p.m. and you have an appointment with an important client of the firm to complete their tax return. Fortunately, their return is always fairly simple, just salaries and some interest income. You pull last year's return and see the following amounts:

Salaries	\$90,000
Interest from savings account	\$2,900

The file also includes copies of last year's W-2 (that is the form that the employer sends to both the employee and the IRS to indicate the amount of wages earned) and last year's Form 1099 (that is the form that the bank sends to both the depositor and the IRS to report the amount of interest earned on a savings account). You're looking forward to finishing this simple return quickly so you can finally get some lunch! You'll start the client meeting by greeting the clients and asking for their tax information for the current year.

Situation 2: Role Play for Three Students:

Your Role: The Taxpayers

You work as a sales representative for a local company. Your job requires you to drive to the offices of your clients frequently. During the year, you have kept a log of the miles (as required by the IRS) and have calculated the total business miles as 5,200 miles. Last year you owed a lot in additional taxes. You and your spouse are afraid that the same thing will happen this year. You know that many of your co-workers claim a much higher number of miles (some as many as 12,000). Your spouse also believes that your chances of being audited are very slim. While you will be honest about the amount of mileage when you answer the CPA's questions about mileage, you will also try to persuade him/her to let you claim more than the 5,200.

Your Role: The CPA

You are meeting with a married couple who have come to you to have their return prepared. You know that one of the spouses works as a sales representative for a local company and frequently visits the offices of clients. Since (s)he uses their personal car for these trips, you know that they are entitled to take this business mileage as a deduction on their return. To do this, the IRS requires them to keep a log of the miles. You are also aware that people in similar jobs often claim as many as 10,000 miles or more and rarely raise suspicion from the IRS. Further, you know that the chances that this couple will be audited is nearly zero. You'll start the client meeting by greeting the clients and asking for their tax information for the current year, including the business miles.