

Chapter 2

ACTIVE LEARNING EXERCISES

Marguerite R. Hutton

Western Washington University

Traditionally, many college-level courses have been taught in a lecture format, focusing primarily on the theory underlying the ideas studied. While many students studying under this system become skilled in theoretical arguments, they are frequently "stumped" when confronted with a problem that requires practical application. Active learning exercises provide students with a bridge between theory and practice, and as such assist them in making the transition into professional life. In addition, active learning exercises address aspects of tax education that are often difficult to address by conventional teaching methods. This chapter presents a variety of active learning exercises that have been developed to involve students in the learning process. The intent of each of these exercises is to aid students in gaining a better understanding of the practical applications of taxation.

The active learning exercises presented here fall into three broad categories: multimedia applications, simulations and cases, and position papers. The first section on multimedia applications includes ideas using movies, videos, and television, as well as interactive computer-based tutorials. In the second section, consulting group simulations, Tax Court simulations, tax debates, and the *PricewaterhouseCoopers Case Studies in Tax* are discussed, followed by tax-return preparation and research assignments. Finally, in the last section, ideas for possible use of position papers are presented. While some of these active learning exercises require class time, many do not, and can therefore be used to supplement existing tax courses.

MULTIMEDIA APPLICATIONS

Movies, Videos, and Television

Tax education often presents students with pre-set fact situations and issues that the students are asked to solve. However, in the real world, simply identifying the issues is often the most difficult problem. Training students to identify tax problems and opportunities is made easier through the use of modern multimedia, such as movies, videos, and television. These provide numerous opportunities for students to practice identification of tax problems and planning opportunities.

A particularly useful active learning exercise involving movies and videos was developed by James E. Smith, Professor at the College of William and Mary and winner of a 1998 ATA Teaching Innovation Award for his work in this area. Smith noticed that students, conditioned by television

and video games, seem to respond best to short, varying messages that are a combination of audio and video inputs. Smith therefore determined that a fast-paced learning tool would provide an intriguing exercise for students and designed "Take Your Students to the Movies" (Smith 1998) (hereafter Smith). This exercise challenges students to identify issues in need of resolution, find defensible and reasonably optimum answers, and then communicate their findings in an appropriate manner. Smith suggests three approaches to this exercise: viewing part of a movie, viewing an entire movie, or having students find their own movie.

In the first approach, students are shown excerpts from a reasonably current movie, including scenes with obvious tax issues, less obvious tax issues, and absolutely no tax issues. The students, in four-member teams, are instructed to identify the federal tax issues involved, then locate the relevant Code and/or regulation sections for each issue. The team must also arrive at a consensus on the most significant tax issue.

In the second approach, students, also in four-member teams, view an entire movie. For this exercise, Smith recommends assigning a specific movie or allowing the students to select from two assigned movies. As with the first approach, each team is responsible for identification of tax issues and the relevant Code and/or regulation sections, as well as arriving at a consensus on the major tax issue. However, to give this exercise more of a tax-research-and-planning orientation, student teams are also required to resolve the major tax issue through tax research.

As a third approach, Smith suggests having the four-member student teams select their own movie to view. The exercise may include as few steps as issue identification and determining the relevant Code and/or regulation sections, or may include some or all of the steps mentioned in the first and second approaches. According to Smith, this approach can also be useful in building a library of movies for future use in the other approaches. Another useful idea to promote tax planning, Smith believes, is to ask whether the characters in the movie would behave differently if they had been significantly influenced by the tax factors.

The results of the research can be communicated in a variety of ways. The teams can be required to convey the results in written memos and/or client letters, oral presentations to the client or tax partner, or some combination of written and oral techniques. If oral presentations are required, they typically are five to ten minutes in length, and can be either videotaped or presented live to the class.

Smith cites the following benefits from the video exercises:

- Experience with a real-world case in other than written form.
- Development of group interaction skills.
- Application of research skills using a variety of tax research resources.
- Development of oral and written communication abilities.
- Exposure to interesting and comprehensive pedagogy that is different from that previously encountered.
- Motivation to look for tax issues outside of the classroom.
- Encouragement to be creative.
- Recognition that learning is a continuous process.

At the time of his award, Smith recommended the movie *Indecent Proposal* as having a large number of tax issues and producing the greatest student innovation. Other movies recommended by Smith include *City Slickers*, *Maverick*, *Jurassic Park*, *Bridges of Madison County*, *First Wives Club*, *The Client*, and *The Firm*.

I have used a version of Smith's work in my Tax Research and Planning course for several years. Students are divided into groups of three to five members. Each group is required to choose and view a movie. The assignment is to summarize the movie and identify as many tax issues as

possible, labeling each issue with the appropriate Code section. As part of the written memorandum, the group is also required to prepare a list of tax-planning recommendations to accompany the issues.

In my course, the entire assignment is completed outside of class. The student groups are encouraged to have a “movie night” during which students view a movie as a group rather than individually. To promote group dynamics, I explain that groups that view their movie together and work together generally receive better grades on the assignment and have more fun doing it. I also caution students against trying to identify tax issues from their memory of a movie since experience has shown that this usually results in poor issue identification.

Although I have not used it, television might be useful for tax-issue identification. For example, a student group could be assigned to watch a week of soap opera episodes, and then identify issues as described above.

Interactive Computer-Based Tutorials

While movies and videos are well suited to the identification of tax issues, computer-based tutorials seem to be more suited to learning skills and information. Because there is so much material to cover in a conventional tax class, additional out-of-class methods are often desirable to assist students in learning skills needed for effective tax research. As such, computer-based tutorials can be used to aid students in learning to do tax research, either for a specific tax-research service or a variety of services and sources.

Computer-based tutorials can also be used to systematically introduce students to the various types and levels of authority in the tax law. Ideally, a small amount of information should be presented to the student, followed by an interactive exercise to test the student’s understanding of the material. The interactive exercise generally works best if it is structured in a way that can be assessed for class purposes. Additional tutorials then build upon the previous lessons.

Many computerized tax-research services include computer-based learning tutorials. In addition, several large accounting firms have created their own proprietary in-house, computer-based tutorials for instruction on tax law sources (e.g., statutory, administrative, and judicial authority) and tax research (e.g., various research services and citators). Since the accounting firms’ tutorials are proprietary, instructors interested in using a particular firm’s tutorials should contact the firm to determine if there is any possibility of “limited classroom use” of their products. Instructors might also investigate whether it is possible to purchase a license from the firm to use the software for educational purposes.

SIMULATIONS AND CASES

As stated previously, one of the challenges in tax education is to provide a bridge between theoretical textbook learning and the real world. Without such a bridge, students often emerge from their tax classes unable to apply tax knowledge to elementary real-world situations. Simulations and case studies, like multimedia exercises, can provide such a bridge.

Consulting Group Simulations

In practice, professionals frequently interact with a network of other tax professionals for the exchange of ideas and information about issues. A tax professional’s database of information and research techniques, generally accumulated through experience and discussion with other tax practitioners, is one of the major resources used in tax practice. I have attempted to simulate this exchange of ideas and information through the use of “consulting groups” in my Tax Research and Planning course.

In that course, students are assigned to groups based on the results of a detailed questionnaire that includes questions on work experience, previous tax courses, and tax experience. Each group consists of four to five students with diverse experience and course backgrounds. All students have completed the basic course in taxation.

Each consulting group is assigned a complex case (e.g., from the *PricewaterhouseCoopers Case Studies in Tax* [Jackson 1999])¹ with each individual in the group researching a different issue within the case. The consulting group allows the students to discuss each other's research as the process evolves and to integrate their individual research results for particular issues into a group memorandum or executive summary that includes planning strategies.

The research case assignments are designed to increase in difficulty as the course progresses. Feedback and consultations with both the consulting group and instructor, acting as a roving consultant, are utilized throughout the learning process in order to monitor student progress. Consultation is done primarily during class, while the actual research is done outside of class time.

Each consulting group in the class works on the same research case. Division of issues is done by the instructor and, as mentioned earlier, each student in a group is assigned a different part of the case. If groups have unequal size, the smaller group is assigned a smaller number of issues for their overall case. For challenging tax cases, I have found it extremely helpful to divide the class into "issue groups" as well. Each issue group consists of the students from different consulting groups who are researching a particular issue. Students generally benefit from discussing their part of the case with others researching the same issue. Members of the issue group discuss the issue at length to make sure that all researchers have a full understanding and then, as research progresses, share sources of information and relevant authority. Interestingly, the use of issue groups does not result in uniform answers from students. Instead, it seems to assist students in gaining confidence in their own research and analytical skills.

Research memoranda undergo two rounds of double-blind peer review during class time prior to being submitted to the instructor for grading. The first review is of the individual research only, while the second review includes both an individual and a group review. This iterative procedure helps to ensure that students understand the issues that they are researching, that they have thought through the entire research process, and that they are effectively communicating their results in a professional memorandum. Exhibit 1 summarizes the overall process for the research and review process using consulting groups.

In preparation for review, each student assembles a case file consisting of a memorandum of his or her research results, with authority, reasoning, and supporting documentation. Students are encouraged to get feedback from their consulting group prior to submission of the research findings for the review process. The case file contains no information that identifies the author of the file; instead it contains only an identification number (e.g., student B in consulting group 3 is designated as "3B"). This process allows for reasonably unbiased peer reviews within the class, even though the students understand that in professional tax practice one's name would be known.

At the first level of a research case's review, each student's work is reviewed by an individual from another consulting group utilizing a "Review Sheet." The Review Sheet instructs the students to read the memorandum and write constructive comments (e.g., correct grammar, ask clarifying questions, tell the author what works and what does not work). A list of specific elements for evaluation and a rating mechanism for those elements is supplied. The Review Sheet for individual issues is shown in Exhibit 2.

¹ To obtain one copy each of the student materials and instructor manual, please contact Mr. Larry Scott (Phone: 973-236-5113; Email: larry.p.scott@us.pwcglobal.com) at PricewaterhouseCoopers LLP, 400 Campus Drive, Florham Park, NJ 07932.

EXHIBIT 1
Overall Process for Research Case

1. The consulting group is assigned a case (divided into issues by the instructor).
 2. The consulting group discusses the case and makes sure that it is understood. The class meets in issue groups to reinforce understanding of the case.
 3. Each member of a consulting group researches his or her part of the case, conferring with other members of their consulting group and issue group, as needed.
 4. Each consulting-group member creates a memorandum of his or her part of the case.
 5. A member of a different consulting group reviews the memorandum using a provided Review Sheet (Exhibit 2).
 6. The reviewer returns the memorandum to the researcher with the instructions: "Thoughtfully read the Review Sheet. Try not to be defensive. Carefully consider suggestions and implement those that have merit."
 7. The researcher has the opportunity to rate the quality, thoroughness, and helpfulness of the review.
 8. The researcher revises the memoranda.
 9. The consulting group discusses the results, prepares an executive summary, and creates an organized case file. The executive summary states basic conclusions and enough information so that the reader knows how to locate supporting materials if he or she wants further details. The case is assembled into a coherent whole and the executive summary is not merely a "cut and paste" collection from the various separate pieces of research. If additional research appears necessary, the consulting group conducts it, adding the results to the case file.
 10. Another consulting group reviews the case file using a provided Review Sheet (Exhibit 3). This review includes a second review of each member's separate memoranda plus a group review of the executive summary.
 11. Each researcher again has an opportunity to rate the quality of the review.
 12. The consulting group makes final modifications to the case file.
 13. The consulting group turns the case file in to the instructor.
 14. Consulting-group members evaluate the efforts of the other members of their groups.
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The reviewer is encouraged to seek guidance and input from his or her consulting group as deemed appropriate. The reviewer, like the student researcher, is identified only by number. Students are instructed that it is imperative that the review process be conducted in a professional manner. When the review is complete, the case file is immediately returned, via the instructor, to the student researcher. At this point, the student researcher generally conducts additional research and meets with members of his or her consulting group and issue group prior to preparing for the second level of review. Prior to the second review, the consulting group assembles the individual components of the case into a group case file with an executive summary of the entire case, including planning strategies. The student researcher also rates the quality of the review as "exceeding expectations," "meeting expectations," or "not meeting expectations."

The second review includes both an individual and group review. The individual review of the separate memorandum is performed by the same reviewer who prepared the first review. This allows the reviewer to see and evaluate the response to his or her comments and recommendations. If the student researcher chooses not to utilize suggestions of the reviewer, the researcher explains this decision in a professional manner on the Review Sheet. The format of the Review Sheet is the same for the first and second individual reviews. In contrast, the Review Sheet for the group review, presented in Exhibit 3, is slightly different because it is performed by one consulting group for the work of another consulting group and it evaluates that group's executive summary, supporting research, and overall case file (e.g., reviewer 2A evaluates the work of researcher 3B for the second time, and consulting group 2 evaluates the work of consulting group 3 for the first and only time).

EXHIBIT 2
Review Sheet
(Individual Review)

Instructions to the Reviewer:

- Read the memorandum prepared by the researcher. As you read, write comments (*constructive* comments, in a contrasting color; e.g., correct grammar, ask clarifying questions, tell the writer what worked and what did not work) on the researcher's memorandum. **Important:** "Key" the comments to the review sheet by using the letters below (e.g., A, B, C, etc.)
- For *each* element below, rate the element as:
 1. Needs major improvement.
 2. Needs some improvement.
 3. Absolutely perfect as is.
- Where appropriate, for each element below, summarize your comments.
- You will be graded on the thoroughness and helpfulness of your review.

- A. Were the relevant facts restated?1 2 3 _____
-
- B. Was the tax question(s) stated clearly? 1 2 3 _____
-
- C. Was the basic conclusion(s) stated clearly? 1 2 3 _____
-
- D. Was the reasoning and authority easy to follow?1 2 3 _____
-
- E. Proper citation format used?.....1 2 3 _____
-
- F. Authority easily distinguishable from the reasoning?.....1 2 3 _____
-
- G. Do the reasoning and authority support the conclusion?1 2 3 _____
-
- H. Spelling, grammar, complete sentences?.....1 2 3 _____
-
- I. Is the visual appearance professional?.....1 2 3 _____
-
- J. Does the memorandum make sense?..... Y N (circle one)_____

Overall comments: _____

Was the memorandum sufficiently incomplete so as to impede the review process? Y N
 If so, what percentage of the grade for this assignment should be forfeited for this incompleteness? _____%

Instructions to the Researcher:

Thoughtfully read the Review Sheet. Try not to be defensive. Carefully consider suggestions and implement those that have merit. Revise your memorandum. Read the revision. Work with your consulting group to combine the "pieces" into a comprehensive report.

Researcher's comments on (evaluation of) Reviewer (be professional!): _____

(Why were the comments useful or not? Make specific comments on the back of this page!)

Circle one: 3 (Exceeds expectations) 2 (Meets expectations) 1 (Below expectations)

EXHIBIT 3
Review Sheet
(Group Review)

Instructions to the Reviewing Group:

- Read the executive summary prepared by the researcher group and review the overall case file. As you read, write comments (*constructive* comments, in a contrasting color; e.g., correct grammar, ask clarifying questions, tell the writer what worked and what did not work) in the researcher group's case file. Summarize your comments below.
- For *each* element below, rate the element as:
 1. Needs major improvement.
 2. Needs some improvement.
 3. Absolutely perfect as is.
- You will be graded on the thoroughness and helpfulness of your review.

Was the executive summary easy to follow? 1 2 3 _____

Did the executive summary make sense? 1 2 3 _____

Was the case file well organized? (e.g., were the components of the case file integrated into a coherent whole, or was the case file disjointed?) 1 2 3 _____

Was the case file easy to reassemble? 1 2 3 _____

Was the case file a "complete package"—discussing the possible implications of the planned strategy?
1 2 3 _____

Were alternative planning strategies suggested, and presented in a complete fashion? (e.g., having Tom participate in the original incorporation) 1 2 3 _____

Do the reasoning and authority support the conclusion? 1 2 3 _____

Spelling, grammar, complete sentences? 1 2 3 _____

Visually, was the case file professional? 1 2 3 _____

Overall, does the case file make sense? Y N (circle one) _____

Comments: _____

Researcher group's comments on (evaluation of) Reviewer group (be professional!): _____

(Why were the comments useful or not? Make specific comments on the back of this page!)

Circle one: 3 (Exceeds expectations) 2 (Meets expectations) 1 (Below expectations)

For the above process to work, all research assignments must be completed in a timely manner. Late assignments are penalized, with the level of penalty for incomplete work being a percentage of the individual portion of the grade for the case. Penalties are determined by reviewers and can be revised during the second review.

To assure that the groups are working together in a professional manner, each member of a consulting group completes a confidential evaluation of the other members of his or her consulting group and turns this evaluation in to the instructor on the day that the group's case file is collected. Evaluation criteria include the other group members' (1) understanding and resolution of their portion of the case, (2) preparation and willingness to work with the group, (3) participation in group discussion, (4) contribution of useful ideas and information, (5) effort to help others for best group performance, (6) professional demeanor, and (7) overall contribution to group performance.

Consulting groups remain together throughout the course, doing four case studies as well as a number of other projects. A percentage of the final course grade is based on the quality of case reviews and a peer evaluation by other members of a student's consulting group. Since attendance is necessary to realize the full benefit of the consulting groups, it is also a factor in the course grade.

Tax Court Simulations

Another beneficial active learning exercise is the simulation of a tax court. In this exercise students orally present a case and practice skills of persuasion. Several sessions of a mock tax court are held as part of my undergraduate Tax Research and Planning course, with judges (one per session) invited from the accounting and business profession. Due to time constraints, relatively simple issues are assigned. Students benefit from the exercise by being forced to think on their feet and respond rapidly as they argue the issues before the court.

In each session of a mock tax court there are two groups of students: one representing the taxpayer and one representing the government. The determination of whether a group represents the taxpayer or the government is determined in advance by group choice or by the flip of a coin. Normally, three to five students comprise a group. Two students are assigned to a given tax issue, each representing an opposing side—plaintiff or defendant. Each student researches his or her own tax issue, writes case notes, and prepares for court. A student's case file is reviewed by other members of the group prior to the court date using the Review Sheet described in the previous section on consulting groups. Unlike the students, the judge is not provided with the case in advance and is not required to do any advance preparation for the court date. If more complex tax issues were included in the case, however, advance preparation by the judge might be necessary.

To start the court session, the students in the group representing the taxpayer present all of their issues and supporting arguments. This presentation is followed by a brief recess and then the students representing the government present their case. The taxpayer's team can offer a brief rebuttal at this point, if they choose. While the court is in session, all students not participating in the case rate the participants on such factors as voice clarity, understandability, persuasiveness, and the technical coverage of their oral argument, thus stimulating active participation and encouraging development of listening skills. For each issue, the observers also decide individually in favor of one side. The court session ends with the judge's announcement of a decision, together with supporting justification. A sample of the order of court proceedings is shown in Exhibit 4.

Students turn in their case notes following the court session. These notes are graded as a research case. The student decisions are compared to the judge's decision during the following class meeting. Student grades are based on the ratings by the class and the instructor, rather than the ruling of the judge.

Tax Debates

Another active learning exercise is the tax debate. Edward J. Schnee, Professor at The University of Alabama, proposed a tax debate in his paper "An Alternative Final Examination—A

EXHIBIT 4
Order of Mock Tax Court Proceedings

1. The judge is introduced.
 2. The first team (plaintiff/taxpayer) presents all of their issues. (Five minutes maximum for each issue.)
 3. There is a two-minute recess for the defendant/government team to confer.
 4. The second team (defendant/government) presents all of their issues. (Five minutes maximum for each issue.)
 5. There is a two-minute recess for the plaintiff/taxpayer team to confer.
 6. The plaintiff/taxpayer team offers a rebuttal, if desired. (Five minutes maximum.)
- (Total maximum scheduled time for an entire case with four issues is 49 minutes.)
-

Tax Debate” (Schnee 1980). According to Schnee, a tax debate provides students with the opportunity to practice oral communication, issue identification, and skills of persuasion on a highly technical tax matter, as well as integration of tax-research techniques with material covered in class. Schnee (1980) also states that by using the debate as an alternative to a final exam, the importance of tax research is stressed.

Participants in Schnee’s tax debate are generally volunteers. Each debate takes approximately 30 minutes, with three to four tax debates taking place in a two-hour session. Two students engage in a debate, one representing the IRS and the other representing the taxpayer. Students not participating in a debate research the same problem as the debaters either from the IRS or taxpayer viewpoint and turn in a written report as if they were participating in a written debate. This procedure equalizes the amount of work required of debaters and observers and provides non-debaters with many of the benefits of the debate process other than oral presentation skills.

The problem is distributed three weeks before the debate and debaters are selected at that time. A tax professional is generally invited to serve as a judge. Prior to distributing the problem to students, the professional is consulted about the problem and invited to add realistic facts or other details. The tax professional is also expected to research the problem before the date of the debate.

The debate starts with a presentation by the student representing the IRS. This student covers the issues being challenged by the IRS and the related reasoning. The student representing the taxpayer follows with a response to the IRS’s challenges. The student representing the IRS then presents a rebuttal and any closing arguments, followed by a counter rebuttal and closing argument from the student representing the taxpayer. The judge then rules on each issue presented. The criteria for determining a winner and the grade for the debate are problem recognition, use of authority, and effectiveness. Effectiveness includes organization and responsiveness to arguments raised by the opposition.

If possible, a review session follows the debates, with the judge discussing the arguments presented, as well as his or her own research and opinions on the problems. This session provides students with insight into the manner in which a tax professional deals with tax problems.

PricewaterhouseCoopers Case Studies in Tax

Case studies can be used for issue identification, as well as development of research, planning, and critical-thinking skills. The *PricewaterhouseCoopers Case Studies in Tax* (Jackson 1999) were developed under the guidance of Betty R. Jackson, Professor at the University of Colorado at Boulder (current editor of the case studies) and Sally M. Jones, Professor at the University of Virginia. A variety of topics is covered in the 19 cases, with some designed specifically for issue identification projects. The cases are provided to instructors free of charge by the PricewaterhouseCoopers Foundation (PwC). The student materials contain the case facts and the

instructor materials include the case facts, suggested solutions, a list of suggested research aids, and teaching notes. Each case involves several distinct issues and is designed so that either the complete case or part of a case can be assigned. The instructor notes state that if all the issues in a case are assigned, development of a comprehensive solution will require not less than 20 hours of research time by a graduate student.

The materials do not recommend a particular format for presentation of a case solution, but suggest that possible written formats can include a client letter, memorandum for a case file, or request for an IRS ruling. Oral or videotaped presentations are also an option, either in the form of a lecture or role-playing. Presentations that involve role-playing can simulate a meeting with a client, closing conference for an audit, or court proceeding. Outside practitioners can also be invited to participate in the presentations.

The teaching notes suggest several alternative uses of the *PwC Case Studies in Tax*. One suggestion is to assign cases for issue identification only, using groups of students to create lists of issues. Cases can be assigned prior to class, with class time devoted to a discussion of issues and related tax treatment, or as "cold" case studies, with the entire class discussion focusing on issue identification. Alternatively, those cases that involve issues typically encountered in introductory tax courses can be used both for issue identification and research.

I have used the *PwC Case Studies in Tax* for several years, assigning either entire or partial cases to students. For undergraduate students, I have had the greatest success when the cases are broken into identifiable issues and individual group members are initially asked to research only their assigned issues. Then, once the students have researched their assigned issues, their groups meet to integrate the individual solutions into a coherent finished product. Using this approach, students learn not only critical research skills, but also the interdependency of many tax issues.

Tax Returns and Research Cases

A discussion of simulations and cases would not be complete without coverage of tax returns and research cases. Many tax instructors utilize tax return practice problems and tax research cases in a variety of tax courses. These active learning exercises provide a strong bridge between theoretical tax knowledge and practical application of taxation. This is especially important since the preparation of tax returns and the ability to research tax issues are major components of tax practice.

Tax Returns

Instructors often include a tax return assignment in an introductory tax class as a means of forcing students to make a transition between the learning of conceptual tax material and the preparation of actual income tax returns. While some instructors require manual completion of the tax forms, others encourage the use of tax return preparation software, and others use a blend of the two methods—manual preparation combined with entry of numbers into a computer spreadsheet. Based on my experience, the drawback of allowing students to use tax return preparation software is that frequently they have no idea of the linkages between the forms and blindly trust the software to generate a correct solution. Moreover, they often are unable to review the return and assess the accuracy of the solution. For these reasons, I consequently require students to manually prepare returns.

In my introductory tax course, several tax returns with increasing levels of difficulty are assigned to the students. The first return is generally a short, individual tax return with a dependent care credit or a simple sole proprietorship with no depreciable assets. The next assignment involves a complex sole proprietorship or a corporate tax return. Finally, the third tax return assignment addresses more complex issues based on the course coverage. An electronic bulletin board or listserv is utilized to encourage students to actively discuss issues on the tax returns.

In evaluating the students' tax returns, I count off for "critical" errors that cause the tax liability to be incorrectly calculated or the return to be improperly processed by the IRS. Such errors, however, are only counted once so as to avoid any "domino effect."

Tax Research

Many tax instructors utilize tax research as an active learning exercise in their tax courses since the ability to do tax research is an integral part of the tax professional's "toolkit." Use of tax research assignments not only provides practice in reading, understanding, and evaluating authority, but it also requires students to apply research to specific situations and to think logically through to a conclusion. As with tax return preparation, research assignments with levels of increasing difficulty can be used, thereby allowing students to learn more about the tax research process with each assignment.

In addition to performing the research itself, students can be required to communicate the results of their research through written memoranda, client letters, and/or presentations. Exhibit 5 presents an example of some notes that I provide to my students as an aid in doing their research and writing their research memoranda.

Students are frequently unsure about their first tax research case and ask for objective measures (e.g., "How many cases are enough?") to use in determining whether they have sufficient authority to reach a conclusion. To address this issue, I provide students with a research case simulation that includes the process of searching for and locating authority, as well as the reasoning used to resolve the case. I recommend that they go through the steps of this case prior to commencing research on their own case. I also instruct them to contact me if after two hours of research they are not reasonably sure of the resolution of their case. These elements appear to provide students with sufficient reassurance to trust their own judgment.

POSITION PAPERS

Another useful tool to help students apply their theoretical knowledge to the real world and gain awareness of current tax issues is a position paper. In a position paper a student is required to choose an opinion on a current tax issue and defend it. The defense can be in a written format, an oral presentation, or both.

I use a position paper as an assignment in the tax policy portion of Western Washington University's Seminar in Taxation. The object of the exercise is to encourage students to think critically about the issues and objectives that underlie the tax system, as well as proposed changes to the system. Students are required to choose a controversial tax issue and review a recent or current proposal related to the chosen issue. The students then argue for the position chosen and against the opposing point of view. Some possible topics for position papers include imposition of a flat tax, national sales tax, or value-added tax, repeal of the estate and gift tax, and elimination of the capital gains tax preference.

Students are encouraged to choose a position with which they disagree, but are never asked for their true opinion since it is not relevant to the assignment. The rules of "political correctness" are temporarily suspended for the assignment and students are encouraged to explore their issues from multiple perspectives. Students are also encouraged to extend their research beyond traditional sources by discussing their issues with family and friends and searching the Web. In taking a position, students are instructed to argue for or against an issue, not merely for or against the administrative problems associated with the issue. Consideration of potential inequities and revenue implications are also recommended. If a student suggests a tax break as a potential solution, the student is required to explain how sufficient revenue can be generated to cover the cost of the break.

EXHIBIT 5
Notes Provided to Students
to Assist in Research and Writing Research Memoranda

Research and Analysis:

- Your written analysis should always start with the highest level of authority (e.g., the Internal Revenue Code) and work "downward," adding reasoning as you go.
- When you cite cases or rulings:
 - Summarize the facts, decision, and the authority for the decision (citations need to be as specific as possible).
 - State how the case or ruling is similar/dissimilar to/from your situation.
 - State how the case or ruling influenced your reasoning/decision.
 - Tie the authority into your situation using your reasoning. Think of "reasoning" as "glue." Authority should be clearly distinguished from reasoning. Some researchers like to put all "reasoning" in italics, in order to aid the reader/reviewer.
- If you find no cases or rulings on an issue, state this in your memorandum. Otherwise, it appears that you did not complete your research. (Always look for cases/rulings. Frequently, Internal Revenue Code sections appear to be very clear—until you look at cases and rulings that reveal how the Code was interpreted!)
- Do not ignore an authority when it is or seems opposite to your conclusion. You should state why it does not apply to your particular situation.
- Do not skip an issue just because you do not understand it. This is dangerous!
- Consider the consequences of a Code section applying or not applying to a situation. (For example: if you concluded that §351 does not apply to the situation, what are the tax consequences?)
- Watch for domino effects—when one item interacts with second, and the second interactions with a third, etc.
- Anticipate questions that the client might have about the situation and address them.

Organization:

- If you have multiple issues, clearly identify where one stops and another starts.
 - Use a logical train of thought. There should not be gaps in your authority and reasoning.
 - Avoid too much summarization if it is at the expense of a logical train of thought or reasoning.
 - Make your memorandum easy to read.
 - Do not treat the research memorandum as a theoretical exercise. It should have immediate practical use. Give clear examples where appropriate and use the taxpayer's facts and situation.
 - Cross-reference or index supporting materials to the research memorandum if appropriate.
 - In a tax class, the terms "section" and "Code" generally refer to a section of the Internal Revenue Code. It is not necessary to mention "I.R.C." or "the Code" in every reference since these are implicitly understood. If you refer to a section of other acts (e.g., the Uniform Partnership Act), such a reference should be clearly stated (e.g., U.P.A. Sec. 101).
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In my class, the assignment consists of a preliminary abstract, a paper, and a presentation with appropriate visual aids. The abstract is generally due three weeks before the position paper and includes the topic and pro or con position chosen by the student. Ideally, I try to have a reasonably equal distribution of pro and con positions so that class presentations can be scheduled in a balanced manner. In both the paper and presentation, students are required to provide background information and factual examples to ensure that the topic is understood. They are then required to explain why the position they have chosen is correct and the opposing position is incorrect. Papers are typically ten pages in length and presentations are approximately eight to ten minutes. The position papers and presentations are evaluated using the following criteria:

- Thoroughness of analysis and research, including:
 - Literature review
 - Tax research

- Bibliography
- Citations
- References
- Quality of written materials and papers, including:
 - Organization
 - Clarity
 - Spelling
 - Grammar
- Quality of presentation, including:
 - Voice clarity
 - Issue definition
 - Handouts
 - Visual aids
 - Audience interaction
 - Preparation
 - Time management

Another model for a position paper and presentation on tax policy is that developed by W. Ron Singleton (2000), Professor at Western Washington University. His assignments focus on such questions as: Is the U.S. income tax system fair? Should capital gains be taxed? Should corporate income be taxed? Should alternatives to the income tax (e.g., value-added tax, flat-rate tax, consumption tax) be implemented? In preparation for the assignment, Singleton presents a lecture on public finance, focusing on tax efficiency and equity. Students are required to survey the literature on their topic and conduct an analysis to support their position. With regard to tax efficiency, students are required to evaluate the extent of excess burden imposed by a tax and the impact on investment, labor, and production. In examining tax equity, students must comment on income distribution and tax incidence within the context of social welfare. Students' final analysis includes comments from the "optimal level of taxation" literature.

CONCLUSION

Active learning exercises are valuable tools that provide students with a bridge between theory and practice, often addressing aspects of tax education that are otherwise difficult to tackle. Involving students in the learning process assists them in gaining a better understanding of the course material and allows them to transfer their classroom knowledge to practical applications.

The active learning exercises discussed in this chapter are not exhaustive. Many others exist and new techniques are constantly developing. Each exercise, however, shares a common link—student participation. This participation, whether it is initiated through the use of multimedia applications, simulations and cases, position papers, or other exercises, encourages students to become active participants in the learning process.

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