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RIRA—A Legal Information System in the Internal Revenue Service

By DAVID T. LINK

By providing more comprehensive and timely decision-making information, the RIRA system should further the constant goal of the development of a sound tax law, in addition assuring certain economies to the Service and a consistent treatment of taxpayers. Mr. Link is Chief of the Reports and Information Retrieval Activity, Office of the Chief Counsel, Internal Revenue Service.

THE INTERNAL REVENUE SERVICE is already strongly involved in the field of electronics. Much has been said and written about its system of processing data in master files of business and individual tax accounts.

The Service has now harnessed computers to another major phase of tax administration. Under a new master plan, the modern techniques of information retrieval will be applied to a large cross section of office materials ranging from personnel files to the most complex legal files. The majority of these applications will be in the field of law.

The first phase of the legal information retrieval project is already in operation. Within the Office of the Chief Counsel, the Service is utilizing the advances of mechanization in an effort to solve three basic problems in the management of a government law office.

The Problems

One of the most acute legal management problems which has existed in the Service over the last few years is that of *coordination* of pending legal matters. The Office of the Chief Counsel handles over 28,000 tax matters each year along with a number of long-range legislation and regulations projects. This work is divided among over 640 attorneys in 32 field offices and eight functional divisions of the National Office. Because of the complexities of the tax laws, it is possible that two or more of these attorneys could have similar cases and come to different conclusions. Also, because of the above cited volume and decentralization, even a well organized system of review

allows the possibility of such an inconsistency going undetected. Furthermore, since the Office considers technical matters such as legislation, regulations and rulings, there is the possibility of inconsistency between the position taken in these broader technical matters and the position taken in individual litigation.

Gathering of *workload and legal statistics* is the second legal management problem in a government law office. While only the latter type is a subject for legal information retrieval, both of them are necessary and time-consuming projects.

The third problem is that of *legal research*. Legal research for an office such as that of the Chief Counsel is a two-sided problem. The Office has the same problem in finding published precedents as does the individual practitioner and these are multiplied by the size of the caseload and number of attorneys.

However, an even more basic problem of our Office is finding the *internal* document that is needed for a particular case or project. Reflect for a moment upon the yearly workload statistics just cited, add to that the legal work performed by members of the Commissioner's staff and you will know that the Internal Revenue Service generates a tremendous legal work product every year. This work product, stored in closed files in the National Office, is important from two standpoints: first—each attorney should have it available so that when he begins research in a certain area he can begin where the last man left off; second, and more important—many of these internal documents contain either litigation position or Office policy, knowledge of which is necessary for the proper disposition of the current workload. Thus, we are back to the question of consistency. When the Chief Counsel tries a case for his client, the Commissioner of

Internal Revenue, his position should be the same today as it was in a similar case yesterday or five years ago or ten years ago unless the law or factual pattern has changed in that period. Thus, the retrieval of pertinent internal files is, in many cases, as important as finding a precedent court case. The research problem, therefore, was how to get these materials into the hands of each attorney.

It was the attempt to solve the combination of these three legal management problems which culminated in 1962 in a project known as The Reports and Information Retrieval Activity, now known by the acronym RIRA.

The Development of the Project

The staff of this project began with two basic premises. First, because of the volume of the job to be done, it appeared that the advances in mechanization should be utilized as part of the solution. Second, while the staff was to develop a long-range information retrieval plan, it had to provide useful products as it went along. Certain aspects of the project needed immediate improvement and could not be delayed by a great deal of experimentation.

After studying the three broad problems to be solved, the staff spotted a common thread. All were essentially communications problems. As to caseload coordination and statistics it was a situation in which no one person or group of people knew the complete legal inventory of the Office. As to legal research, this was simply a question of communication with closed files and precedent decisions.

The staff discovered that the main communication barrier was the lack of a uniform language. While at first this appeared to be a simple problem, the language which has developed in the tax field is multifarious. For ex-

EXHIBIT A—UNIFORM ISSUE LIST

- 0481.01-00 Limitations on Tax for Year of Change
 - 0481.01-01 Three Years Allocation
 - 0481.01-02 Allocation Under New Method of Accounting
- 0481.02-00 Pre-1954 Adjustments
 - 0481.02-01 Voluntary
 - 0481.02-02 Involuntary
 - 0481.02-03 10-Year Spread Forward
 - 0481.02-04 Decedents
- 0481.03-00 Return to Former Method of Accounting
- 0481.04-00 Dealer's Reserve
- 0481.05-00 Change Initiated by Taxpayer v. Initiated by Commissioner
- 0482.00-00 Allocation of Income and Deductions Among Taxpayers*
 - 0482.01-00 Sham Transactions v. Not a Sham
 - 0482.02-00 Recognition v. Disregard of Corporate Entity

SUBCHAPTER F. EXEMPT ORGANIZATIONS

PART I. GENERAL RULE

- 0501.00-00 Exemption from Tax on Corporations, Certain Trusts, etc. (Exempt v. Not Exempt)
 - 0501.01-00 Instrumentalities of U. S.
 - 0501.02-00 Title-Holding Company
 - 0501.03-00 Religious, Charitable, etc., Institutions and Community Chest
 - 0501.03-01 Employee Benefit Organizations (See also 0501.09-00)
 - 0501.03-02 Foundations
 - 0501.03-03** Trusts
 - 0501.03-04 Unincorporated Associations
 - 0501.03-05 Corporations
 - 0501.03-06 Advancement of Arts Societies
 - 0501.03-07 Civil Rights Groups
 - 0501.03-08 Educational Organizations
 - 0501.03-09 Fraternal Beneficiary Societies; Secret Societies (See also 0501.08-00)
 - 0501.03-10 Homes for Aged and Related Organizations (See also 0501.04-02)
 - 0501.03-11 Hospitals and Health Clinics (See also 0501.06-03)
 - 0501.03-12 Labor Organizations (See also 0501.05-00)
 - 0501.03-13 Libraries, Museums, Etc.
 - 0501.03-14 Literary Organizations

EXHIBIT B—UNIFORM ISSUE LIST KWIC VERSION *

CONTINGENT POWER IN TRUSTEES WITH GRANTOR AS T	2038. -05—05
TRUSTEES, FIDUCIARIES, ETC.=	3121. -04—14
IN CONJUNCTION WITH TRUSTEES=	2038. -05—03
AL ESTATE INVESTMENT TRUSTS AND BENEF.=	0857. -00—00
TAX EXEMPT TRUSTS AND CERTAIN ANNUITY	3121. -01—15
D BENEFICIARIES OF TRUSTS AND ESTATES=	0167. -16—00
RTNS. BY TRUSTS CLAIMING CHARITABLE	6034. -00—00
TRUSTS FOR MINOR BENEFICIAR	2503. -10—00
RECIPROCAL TRUSTS WITH MUTUAL RIGHTS	2038. -06—00
ARTNERSHIPS, ESTATES, TRUSTS, AND CORPORATIONS=	0318. -02—00
TRUSTS, ESTATES, LEGATEES, B	1312. -05—00
TAX ON CORPS., CERTAIN TRUSTS, ETC.=	0501. -00—00
US AND PROFIT-SHARING TRUSTS=	0404. -02—00
TRUSTS=	0501. -03—03
NEMPLOYMENT BENEFIT TRUSTS=	0501. -18—00
TRUSTS=	0513. -01—00
TAX ON ESTATES AND TRUSTS=	0641. -00—00
DUCTIONS FOR SIMPLE TRUSTS=	0651. -00—00
OF BENEF. OF SIMPLE TRUSTS=	0652. -00—00
ESTATES AND COMPLEX TRUSTS=	0661. -00—00
ESTATES AND COMPLEX TRUSTS=	0662. -00—00
SHARES AND SEPARATE TRUSTS=	0663. -03—00
DENIAL OF REFUND TO TRUSTS=	0667. -00—00
TEREST IN SHORT-TERM TRUSTS=	0673. -00—00
TERMINABLE TRUSTS=	0673. -02—00
TAXATION OF TRUSTS=	0857. -01—00
REVOCABLE TRUSTS=	1014. -08—00
TRUSTS=	2033. -12—00
RECIPROCAL TRUSTS=	2033. -12—01
LIFE INSURANCE TRUSTS=	2036. -05—00
RECIPROCAL TRUSTS=	2036. -06—00
RECIPROCAL TRUSTS=	2036. -07—03
INSURANCE TRUSTS=	2038. -01—00
TRUSTS=	2042. -05—06
GIFT OF INSURANCE TRUSTS=	2503. -08—00
ESTATES OR TRUSTS=	6012. -05—01
TURNKEY CONTRACTS=	0612. -05—03
K COMPARED TO MARKET TURNOVER=	2031. -04—05
KNESTH TYPE=	0163. -08—02
TAXES—FOREIGN AND U. S. POSSESSIONS=	0033. -00—00
DING CO. INC. TAXED TO U. S. S/H=	0551. -00—00
RECEIVED WITHIN U. S. V. NOT WITHIN U. S.=	0931. -08—00
LOANS INSURED BY U. S.=	0312. -10—00
INSTRUMENTALITIES OF U. S.=	0501. -01—00
ONS FOR EMPLOYEES OF U. S.=	0501. -11—00

* The Uniform Issue List is printed in two forms. Exhibit A is a sample page from the list which is ordinarily used. That list is keyed directly to the Internal Revenue Code section involved.

Exhibit B is a sample page of KWIC (Key Word in Context) version of the Uniform Issue List. This is a computer-prepared cross reference to the regular issue list. It is used when an attorney would prefer to enter the system on a key word rather than a code basis.

ample, cases involving the inclusion or deductibility of payments resulting from a decree of divorce are referred to as "alimony cases," "separate maintenance cases," "divorce settlement cases," "marital difficulty cases," "husband and wife cases," "Section 71 cases," or "Section 215 cases." One could go on and on with even more complex examples from other sections of the Internal Revenue Code. To alleviate this deficiency, RIRA developed the "Uniform Issue List."¹ Despite what its name may imply, the list is not one of broad issues as one usually thinks of issues in the law, but is one of legal concepts or descriptors. These descriptors are meant to describe not so much issues but rather the various component problems within issues. Thus, while it is possible to describe some issues by using a single uniform issue list category, many issues will require the use of five, ten or even fifteen of the descriptors.

Having developed a communications language, the staff turned to the communication lines. The first step in this phase was the design of a form on which the various offices could report their cases. The design of such a form was an intricate problem since it had to provide space for all of the information necessary for complete coordination and statistics, had to allow for the updating of that information, and it had to be compatible with the system to be used in precedent retrieval. Furthermore, while this form had to be understandable on its face so that it could be reviewed by attorneys, it also had to be in key-punching format. With the aid of the reports division of the office of the Assistant Commissioner (Data Processing), such a form was designed. Next came the design of a punch card, followed by the formulation of the processing pro-

gram. This program was designed as a joint effort of Counsel's Office, the Systems Development Division of the Office of the Assistant Commissioner (Planning and Research) and the IBM Corporation. It had to perform a number of functions: store the inventory of cases, maintain this file and allow for a monthly source audit of it, print the statistical tables and the coordination and research desk books, and provide for direct computer retrieval.²

Statistical Solution

Equipped with the Issue List, reports forms and a computer program, RIRA began its attack on the legal information explosion by attempting to solve the most basic and easiest of the problems, that of legal statistics. Each attorney handling a pending file identified his case utilizing the multipurpose reporting form and the descriptors in the Issue List. The reporting forms were then keypunched and processed into certain statistical formats.

These reports have the potential of giving early warning as to the problem areas of the law. They also offer a measure for the effectiveness of our litigation policies. This phase of RIRA has been highly successful and the Office has been able to use the statistics in litigation and technical planning by detecting a necessity for recommending new legislation, amending regulations, reconsidering litigation positions and deciding the importance of appeal in certain cases. The system has also been supplying the Department of Justice, Tax Division, with certain statistics for their litigation planning and the Tax Legislative Counsel's Office information from the system for purposes of their technical planning.

¹ See Exhibits A and B, pp. 233, 234.

² This article will not go into the technical aspects of file maintenance and source audit.

EXHIBIT C—COMPUTER PRINT-OUT *

ISSUE	OFFICE	GROUP NUMBER	CASE NUMBER	NAME OF TAXPAYER
0501.03-02	FOUNDATIONS			
	BOSTON	000-192862-62	000-192862-62	JONES P L
	ST PAUL	000-216361-61	000-216361-61	HENRY BROS
	NEW YORK		000-324164-64	FERRARI
	WASHINGTON	000-171364-64	000-171364-64	SMITH T R
	LOS ANGELES	000-061987-59	000-061987-59	HALL R H
		000-083741-60	000-083741-60	DAVIS S T
		000-527663-63	000-527663-63	PETTY CO
		15 GROUPS	20 CASES	
0501.03-03	TRUSTS			
	REFUND LITIG	055-003751-64	055-003751-64	JONES BANK
		055-729356-58	055-729356-58	CAMPBELL
			055-729529-59	CAMPBELL
			055-732449-59	CAMPBELL
			055-734443-59	CAMPBELL
	INTERP DIV		088-001145-63	JAMES FOUND
			088-001191-63	JAMES B
	SAN FRANCISCO	000-141562-62	000-141562-62	HENDERSON
		4 GROUPS	8 CASES	
0501.03-05	CORPORATIONS			
	REFUND LITIG	055-000692-61	055-000692-61	HOWES B H
	BIRMINGHAM	000-517362-62	000-517362-62	DIXON JAS
		2 GROUPS	2 CASES	
0501.03-06	ADVANCEMENT OF ARTS SOCIETIES			
	BOSTON	000-192862-62	000-192862-62	JONES P L
		1 GROUPS	1 CASES	

*The attorney is led into this document by the Uniform Issue List descriptor and

EXHIBIT C—Continued

STATUS OF CASE	CASE CLASS	MICRO- FILM NO.	POS CODE	DISP	DATE OF ORIGIN	ATTY	CHANGE DATE
050-PREP TRIAL	1	3-0012	2		8-14-63	080	4-64
040-SETL-DEF REG	2		2		6-14-61	125	9-64
120-PENDG APP DIV		2-2383	2			189	9-64
020-PENDG APP DIV			1		5-13-64	245	9-64
050-PREP TRIAL		1-0012	2			267	6-64
050-PREP TRIAL		1-0040	2			267	4-64
020-PENDG DIV			2			267	4-64
180-DEF LTR WRITTN	3	1-1148	2		7-14-64	022	9-64
180-DEF LTR WRITTN	1	2-2359	2		1-29-58	026	9-64
180-DEF LTR WRITTN	1	2-2359	2		-15-59	026	9-64
180-DEF LTR WRITTN	1	2-2359	2		10-30-59	026	9-64
180-DEF LTR WRITTN	1		2		12-08-50	026	9-64
990-PENDING CASE		2-0484	0				9-64
990-PENDING CASE		2-2149	0				9-64
020-PENDG APP DIV	2		2		1-10-64	257	4-64
180-DEF LTR WRITTN		1-1281	2		7-26-61	027	9-64
050-PREP TRIAL			2			055	6-64
050-PREP TRIAL	1	3-0012	2		8-14-63	080	4-64

number (Example 0501.03-03 Trusts).

Caseload Coordination Solution

Legal statistics, however, was the easiest problem to solve and certainly the least critical. RIRA has now gone beyond that to attack the remaining legal information problems of pending caseload coordination and legal research. Pending caseload coordination is nothing more than trying to maintain consistency among all offices—trying to control the position being taken in every individual case or project. As Sheldon S. Cohen, Commissioner of Internal Revenue, said when he was Chief Counsel,

“The importance of tax litigation is not measured by the relatively small amount of revenues which such litigation generates but rather by the role it plays in the shaping of the law . . . the position taken in litigation must represent the interpretation the Service wants because it is the best and most reasonable interpretation and the one which makes the maximum contribution to a sound tax system.”

The fulfilling of that ideal requires a coordination of the work in each of Chief Counsel's field offices and the National Office. It requires an internal coordination between litigation and technical functions and between Counsel's Office and the Commissioner's. It requires an external coordination between the IRS and Main Treasury and between the Service and the Tax Division of the Department of Justice.

The RIRA staff decided to solve the coordination problem by using some of the same techniques used in the statistics project. The index terms for all cases are sorted by computers and monthly these machines spill back or “print out” the entire file of cases in issue sequence (the sequence of the Uniform Issue List) thus generating an indexed inventory of cases. This

2,000 page index³ informs the Office not only which cases involve which issues or concepts but indicates which office each case is in, the name of the taxpayer, docket and group number of the case, status, position, the date of origin, date of last change and the attorney who is working on each case. In order to complete the information in the system, abstracts are also prepared on each case. These abstracts⁴ describe a little more about the issues and facts than could be described with index terms and, most important, spell out the specific position being taken by the Commissioner and the position being taken by the taxpayer in each individual case.

Counsel Legal Information Centers

Monthly an updated computer index plus a new set of abstracts are microfilmed and copies of this microfilm are sent to each of 12 Counsel Legal Information Centers (CLIC). Four of these centers are in the National Office and one each in Atlanta, Chicago, Cincinnati, Dallas, Los Angeles, New York, Philadelphia and San Francisco. Each of these centers is equipped with high speed automatic microfilm reader-printers on which an attorney can find any particular document in an average of 15 seconds and can print a hard copy of such document in another 5 seconds. This system is so designed to make it useable by the attorney or his secretary and does not require the intervention of a machine operator.

Example

The technique for caseload coordination in each of these centers is simply as follows: An attorney looks on the computer-derived index for the index terms involved in his own case. Upon finding each term he prints out the appropriate index page, and uti-

³ See Exhibit C, pp. 236, 237.

⁴ See Exhibit D, p. 239.

EXHIBIT D

CASE COORDINATION ABSTRACT *

Case: Jones National Bank

RL-3751 D. Wyo.

Class: SOP

SYMBOLS: CC:RL:S:WAK

Issues: 0501.03-03

0501.13-00

0642.03-02—Taxpayers are three trusts established by the James Cemetery Association which itself is a shareholder-owned, taxpaying corporation established under Wyoming law. The taxpayers are “perpetual care” trusts which collectively receive 15% of the amounts received by James Cemetery Association on sale of burial lots. The amounts received are invested and the income therefrom is transmitted to the Association for the care and maintenance of two cemeteries operated by it. The trusts claim exempt status under Section 501(c)(3) or 501(c)(13) or charitable deductions under Section 642(c) in amounts equivalent to their income if exempt status is denied.

Our position with respect to both Sections 501(c) and (13) is that taxpayers can neither be characterized as charitable institutions nor as mutual cemetery associations because the cemeteries which their incomes are bound to support are stockholder-owned. One of the requirements for exempt status under Section 501(c)(3) is that there must be no inurement of earnings to the benefit of any private shareholders. Here there is obviously the inurement of benefits to James Cemetery Association and its shareholders. One of the requirements of Section 501(c)(13) is that the cemetery must be owned by lot owners. Neither of the aforementioned requirements is satisfied in this instance.

Similarly charitable deductions are not available under Section 642(c) because taxpayers' income ultimately inures to the benefit of the cemetery corporation's private shareholders. Recommendation: Defense.

* The attorney is led into this document by the microfilm access number (Example 1-1148) contained in the computer print-out.

lizing the microfilm access number thereon, begins his search for similar pending case abstracts (the reader will probably find it profitable to review the exhibits in the appendix at this point and follow the example under 0501.03-03). Should he find inconsistent positions in these abstracts he can then begin the task of contacting the other offices involved to resolve the inconsistency.

Legal Research Solution

The system for retrieval of precedents is much the same as that for coordination. A computer maintains the index to these cases or projects and this is backed up by the document itself. Both the computer-derived index and the documents are micro-filmed and sent to the information centers. The searching technique is the same as that described for pending case coordination.

One refinement is now being made to this historical file. A 15-word short abstract (similar to a telegraphic message) will be stored in the computer system for each case. This will be printed out on the computer-derived index. By scanning the short abstracts, an attorney will be able to greatly reduce the number of documents to be retrieved.

Direct Retrieval and Other Computer Uses

The computer in this system does more than generate indexes and main-

tain them from month to month. The program is so designed that direct computer retrievals can be made. That is, for a complex question or a special report, rather than having an attorney search through the computer print-out, the machine can be queried and will directly retrieve the desired references. Computer techniques are also being utilized for direct word searches of the Internal Revenue Code and the Office is beginning experiments in the field of auto indexing and auto abstracting.

Conclusion

The IRS legal information retrieval program is still in its infancy. The results of its use so far indicate that the program is on a sound foundation. Consequently, the Office has great hopes for it. By eliminating a great deal of the duplication of effort among the attorneys it promises to result in certain economies to the Office. More important, it should assure a more consistent treatment of taxpayers through greater coordination than has ever been possible in the past. And most important, by providing more comprehensive and timely decision-making information the system should further the Office's constant goal of making the maximum contribution to the development of a sound tax law. In the words of Disraeli, "The more extensive a man's knowledge of what has been done, the greater will be his power of knowing what to do."

[The End]

UNDERWITHHOLDING SOLUTION—GRADUATED WITHHOLDING?

The reduction of the withholding rate (from 18 per cent to 14 per cent) by the 1964 Revenue Act—which was actually a sharper reduction than that made in the income tax rates—has focused attention on the underwithholding problem which has been with us since long before the enactment of the Revenue Act last year. A number of tax experts have been pondering the idea of introducing graduated withholding rates. In other words, withholding rates would vary according to an individual's income. In that way the amount withheld during the year would more closely resemble his final tax liability.