**AC313 Chapter 16 Glossary**

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| **acquit**   | Act of discharging a defendant (e.g., a taxpayer) from charges previously asserted by the plaintiff. |
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| **ad valorem tax**   | Tax imposed by applying a rate to the value of the property taxed. |
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| **Bank Secrecy Act**   | Act of Congress that authorizes the United States Treasury Department to require financial institutions to report any suspicious transaction that could indicate violations of laws or regulations. |
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| **cash hoard**   | Accumulated amount of cash kept usually without the knowledge of others. |
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| **cash T**   | Analysis of the cash received and spent by the taxpayer during a specified period; similar to the indirect method called *source and applications of funds,* but dissimilar to it because it is limited to an analysis of cash only. |
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| **compliance auditing**   | Act of determining whether a person or entity has correctly complied with a law (e.g., the Internal Revenue Code) or procedure. |
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| **conspiracy**   | Act in which two or more persons work (usually in secrecy) together to commit an illegal act or use illegal means to achieve an objective. |
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| **direct method**   | Method of proof by which a specific item of income is identified as being unreported. |
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| **estimated tax**   | Tax paid quarterly in advance of filing a return; the payment reduces the amount of tax due with the annual return. |
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| **felony**   | A crime for which the potential punishment is either death or imprisonment of more than one year. |
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| **Form 1099**   | Informational form sent to taxpayers to indicate their earnings on certain types of gross income during the past tax year such as interest, dividends, and proceeds from the sale of stock. |
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| **good faith belief**   | Belief formulated without intent to deceive or manipulate. |
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| **indirect methods**   | Methods of proof used to estimate understated income, such as taxable income, by reference to changes either in net worth or in the expenditures made by the person (or business) during the year. |
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| **joint return**   | Income tax return filed by two persons who were legally married on the last day of their taxable year. |
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| **Klein conspiracy**   | Tax conspiracy in which taxpayer is charged with conspiring with another person to obstruct the collection of income taxes. |
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| **lesser included offense doctrine**   | Doctrine invoked when a taxpayer is charged with two or more sections of the law and one of the sections is incidental to the offense described in one of the other sections; the lesser offense is merged with the section representing the more serious offense so that the taxpayer cannot be charged with both lesser and more serious offenses. |
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| **mail fraud**   | Use of the United States Postal Service or any commercial or private mail service to further a scheme or fraud. |
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| **misdemeanor**   | Crime for which the maximum penalty is imprisonment of less than one year. |
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| **money laundering**   | Process of obfuscating the source of illegally obtained income so that the income can be used for legitimate purposes. |
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| **net operating loss (NOL)**   | The excess of business deductions over business revenues; can be carried back two years to obtain an immediate refund and carried forward for 20 years to reduce the taxable income of those years until the loss is exhausted. |
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| **prima facie**   | Term that means "on the face"; refers to the appearance of what is being examined, not necessarily the true nature of the examined item. |
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| **standard of proof**   | Level of proof required in court; in criminal cases, is *beyond a reasonable doubt;* in civil fraud cases, is *clear and convincing* evidence. A lower standard, *preponderance of the evidence,* is often the burden of proof required of litigants to rebut the evidence presented by the plaintiff. |
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| **statute of limitations**   | Period of time within which charges against a potential defendant must be brought; if charges are not brought within this period and the taxpayer raises it as a defense, the charges ordinarily must be dropped. |
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| **tax deficiency**   | Excess of correct tax liability over the tax payments made by the taxpayer. |
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| **tax evasion**   | Legal term for tax fraud. |
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| **tax fraud**   | Act of deceiving or misrepresenting for the purpose of misstating a tax liability or to avoid the payment of tax. |
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| **tax protester**   | Person who refuses to file a return or pay tax (or both) as a result of the belief that the taxing authority is not using the tax collected in a morally just manner or that the person is not subject to the tax. |
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| **W-3 form**   | "Transmittal of Wage and Tax Statements" form on which the employer who pays wages and salaries reports to the Internal Revenue Service the amount of wages, federal income tax withheld, social security tax withheld, and other information filed; includes the number of W-2 forms transmitted. |
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| **W-4 form**   | "Employee's Withholding Allowance Certificate" to be completed by the employee for the purpose of indicating the number of allowances the employee wishes to claim for withholding tax purposes. |
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| **wire fraud**   | Use of electronic transmission to aid in the commission of a fraud. |