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5-1-1972

Remarks, AICPA Spring Council Meeting, Boca Raton, Florida, May 1, 1972

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Remarks of Gilbert Simonetti, Jr.
Director of Federal Taxation, AICPA

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May 1, 1972

A Computerized Federal Tax Retrieval Service

While the Institute was investigating the possibilities of developing a computerized accounting research service, a parallel study was under way regarding the development of a search and retrieval system for federal tax materials.

Significantly, the federal tax study is being conducted jointly by CPAs and lawyers. I say significantly because the joint undertaking gives recognition to the excellent relations which now exist between lawyers and CPAs in tax practice. It dramatically demonstrates how far we have come from the dark days of the late 1940's and early 1950's when lawyers and CPAs were doing battle in the courts.

The joint undertaking by lawyers and CPAs in the development of a federal tax retrieval system results directly from the activities of the National Conference of Lawyers and CPAs and the close working relationship which exists between the Institute's Tax Division and the American Bar Association's Tax Section.

The legal community initiated the investigation of the development of a federal tax retrieval system in 1966 when a group of prominent lawyers organized a non-profit, educational, tax-exempt organization called the Lawyers' Center for Electronic Legal Research. The Lawyers' Center was organized because it had become apparent that technological advances were rapidly being made, that commercial organizations were preparing to move into the field of legal information retrieval and that a permanent organization should be created to investigate the numerous competing systems which had sprung up.

It was also felt that the public interest and that of the legal profession required that some independent, disinterested organization be available to protect the public, so far as possible, from any unwarranted or inaccurate claims of commercial interests which might seek to install retrieval systems for use in the administration and practice of law.

Early in 1970 at the initiative of Weston Vernon, the lawyer Co-Chairman of the National Conference of Lawyers and CPAs, members of the accounting profession were invited to join with lawyers in the development of a federal tax retrieval system. Subsequently, through the efforts of the

National Conference, the name of the Lawyers' Center for Electronic Legal Research was changed to the National Center for Automated Information Retrieval, otherwise known as NCAIR. The formal change in name was approved by the Board of Regents of the University of the State of New York on October 9, 1971.

Giving recognition to the new partnership between lawyers and CPAs in the development of a federal tax retrieval system, NCAIR's Board of Trustees is composed of judges, lawyers and CPAs. Representing the accounting profession on NCAIR's Board of Trustees are: William T. Barnes, Richard B. Keigley, Charles R. Lees, Donald H. Skadden, Robert G. Skinner, Don J. Summa and myself. Among the representatives of the legal community in addition to Weston Vernon are: the Honorable Stanley H. Fuld, Chief Judge of the New York Court of Appeals, Mac Asbill, Jr., Chairman of the ABA's Tax Section and Marvin K. Collie of Treasury Secretary Connally's former law firm.

Dick Keigley is the Chairman of NCAIR's Executive Committee. Don Summa is a Vice President and, fortunately or unfortunately, I'm the Treasurer. Presently NCAIR doesn't have a nickel to its name.

Based on a study of available retrieval systems by the Lawyers' Center and subsequently by NCAIR, the system developed by Mead Data Central was identified as the best available to provide the federal tax retrieval service.

NCAIR is now in the process of negotiating a contract with Mead Data Central. Under the terms of the draft contract, NCAIR will have the exclusive right to offer a federal tax retrieval service on the MDC system to lawyers, CPAs and other potential subscribers to the system. NCAIR will sponsor the MDC system as the official NCAIR system, with MDC to have the exclusive right to market the federal tax retrieval service under NCAIR's auspices.

Further significant terms of the draft contract are:

1. NCAIR and MDC will jointly define the contents and structure of an operational federal tax data base.
2. NCAIR will provide technical assistance to MDC in planning modifications and improvements of the federal tax data base.
3. NCAIR will arrange meetings and demonstrations of the system for leaders of the accounting and legal professions and others.

4. NCAIR will try to arrange for Treasury and IRS participation in the development of the federal tax retrieval system. Incidentally, I learned last week that the Treasury will work with NCAIR in an advisory capacity.

In anticipation of the signing of the contract, an NCAIR appointed committee of lawyers and CPAs has been working with MDC personnel in the design of the federal tax data base. While the final design of the data base has not yet been set, it appears that the initial data base will contain about 400 million characters and will consist of the following in full text:

1. Internal Revenue Code sections relating to income tax, estate and gift tax, procedure and administration, and excise taxes on exempt organizations.
2. Current Treasury regulations under the applicable Code sections.
3. All Cumulative Bulletin materials since 1954, including Revenue Rulings and Revenue Procedures.
4. Legislative history of the Internal Revenue Code as enacted in 1954 and as amended by Revenue Acts since 1954.

5. Tax Court opinions from 1942.
6. Supreme Court decisions from 1913.
7. Circuit Court of Appeals decisions from 1945.
8. District Court decisions from 1970.
9. Court of Claims decisions from 1942.

It is contemplated that once the federal tax retrieval system is operational, all information in the system will be kept current on a weekly basis. The federal tax retrieval service should be operational toward the end of this year.

The federal tax data base will be offered to lawyers and CPAs as part of a National Electronic Legal Research Service which MDC calls Lexis. Initially the Lexis library will contain Ohio and New York law plus federal tax materials. This data bank will be expanded shortly thereafter to include the law of other states and such additional federal materials as the U. S. Code, all decisions of Federal courts and securities law and trade regulation law. MDC's ultimate goal is to establish a national legal electronic library encompassing all federal law and the law of the 50 states.

Now let's take a quick look at the probable pricing structure for CPA subscribers to the federal tax retrieval service. There would be a Basic Charge of \$500 per month.

This is for the installation and maintenance of one Lexis terminal in the subscriber's office, communication costs between that office and the computer center, and instructional materials. In addition to the Basic Charge, there would be a Library Charge based on hours of use per tax specialist each month.

For accounting firms during the first year of a two year charter subscription, the minimum Library Charge would be \$42.50 per tax specialist in the office in which the Lexis terminal is installed. The next one-half hour of monthly use by each tax specialist, aggregated, will also be at \$42.50. This charge would be incurred only if the system were used and would not be included in the minimum monthly Library Charge. There would be no charge for usage beyond the aggregate total of one hour per tax specialist per month.

During the second year of the charter subscription, the terms of the monthly Library Charge for use up to the aggregate total of one hour per tax specialist per month would be the same as in the first year. All usage beyond this aggregate total, however, would be charged at the rate of \$40.00 per hour.

For the purpose of determining the minimum monthly Library Charge, charter subscribers would prepare their own estimates of the total number of tax specialists who

are in subscriber's office in which a Lexis terminal is installed.

Based on this probable subscription schedule, the annual charge would be \$57,000 for a CPA firm with 50 tax specialists and 60 hours of use each month. For a CPA firm with 5 tax specialists and 20 hours of use each month, the annual charge would be \$11,100. In the second year it would be \$61,800 and \$18,300 respectively.

Information retrieval is indeed with us. I urge you to learn as much as you can about this revolutionary development.

Thank you--it's a pleasure and an honor for me to be here with you today.
