

**Contracts I**  
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**Sample Exam Question #2**

**CAVEATS: This question is an example only. It does not cover enough material to constitute an entire exam. The questions on the real exam are of varying degrees of difficulty, and the number of points assigned to each question varies correspondingly.**

On February 6, 2003, Kerwin Smith, a self-styled “tax rebel” who has made a career out of, and substantial income from, his tax protest activities, appeared on *Mary Prince Live!*, a television program broadcast nationally by the DMM television network, which invites viewers to call during the show with questions for, and comments directed to, its guests. Host Mary Prince interviewed Smith from approximately 11:00 p.m. to 12:00 a.m. EST. The words “Live Phone-In” and the telephone number “(202) 555-5555” flashed on the screen periodically during Smith’s appearance. In addition, Prince repeated the phone number and encouraged viewers to call and speak directly with Smith on the air. During the course of the program, Smith offered the following challenge: “I will pay \$100,000 to the first person who calls during this show and cites any section of the Internal Revenue Code that requires an individual to file a federal tax return.”

The following morning, Ingrid Neumann saw a two-minute taped segment of Smith’s *Mary Prince Live!* interview, including the part where Smith said he would pay \$100,000 to the first caller who could prove him wrong, on the *DMM Wakeup News*. Neumann felt certain that Smith’s statements regarding the Internal Revenue Code were incorrect. She researched the issue and located several provisions that, to her satisfaction, demonstrated the mandatory nature of the federal income tax. The next day, February 8th, Neumann wrote to the *DMM Wakeup News*, citing numerous Internal Revenue Code provisions as authority for her position that individuals are required to pay federal income tax. DMM responded to Neumann’s letter on March 3rd, informing her that it had forwarded her letter to Smith. On April 15th (ironically enough), Smith wrote to Neumann, stating:

I did make an offer during the February 6th *Mary Prince Live!* program to pay \$100,000 to the first person who could call during the show and produce a section of the Internal Revenue Code that requires an individual to file a tax return. I do not believe that the sections you cite in your letter obligate an individual to file an income tax return. But, even if they do, you did not call me during the show, as my offer required. As a result, I do not owe you any money.

Did Neumann’s February 8th letter form a contract obligating Smith to pay Neumann \$100,000? Please explain.