

It's time for another GMAT Challenge Question, and it's also about time to start thinking about your taxes – April 15 is just over two months away, and remember that February is a short month! With those two things in mind, we thought we'd let you audit an IRS-related Sentence Correction question. Submit your answers in the comments field and we'll be back later today with the solution and explanation.

Mutual funds, though helpful for personal investors who wish to diversify their portfolios, expose shareholders to additional taxation: not only are taxes on shareholders' eventual sales of the securities collected by the IRS, but also on reinvested dividend stakes earned by the securities held by the fund itself.

- A) not only are taxes on shareholders' eventual sales of the securities collected by the IRS, but also on
- B) collected by the IRS are taxes not only on shareholders' eventual sales of the securities, but also on
- C) taxes not only on shareholders' eventual sales of the securities are collected by the IRS but also
- D) not only taxes on shareholders' eventual sales of the securities are collected by the IRS, but also on
- E) taxes are collected by the IRS not only on shareholders' eventual sales of the securities but also

Check back tomorrow, when we'll reveal the answer!

UPDATE: Solution: **B**.

This sentence tests sentence structure and may be best solved by looking at the 3/2 split between the answer choices on the last word. Three choices use "on" as the last word, while two choices omit "on" – signifying that we'll need to ensure that the multiple phrases in the sentence are connected properly. Connector words like "on", "but", "to", "that", etc. make for terrific decision points.

When testing connectors, you may want to quickly write your own "ideal" sentence to determine which components need to be connected. Here, ideally, the sentence would say something like:

The IRS collects taxes not only **on** shareholders' sales but also **on** reinvested dividends.

In this ideal sentence, we need to include the word "on" for both items to denote that *taxes are collected on both types* of income. Answer choice E, the most popular choice on this question, does not include that word "on" to link the collection of taxes to the reinvested dividends, and is therefore wrong. We need the word "on" at the end, and we also need "on" to be logically drawn back to "taxes are collected".

Look back at choice B, the correct answer. It's awkward, but it does exactly what we need it to do – it leads with "taxes are collected", and connects that phrase to both components with the word "on". The only awkwardness is an inverted subject/verb structure. We want to see:

Taxes are collected (by the IRS) not only on shareholders' stakes but also on reinvested dividends

But choice B gives us

Collected by the IRS are taxes not only on shareholders' stakes but also on reinvested dividends.