PRACTICE EXAM 10: ENROLLED AGENT PART 3 SIMULATION (100 QUESTIONS)

This practice exam contains 100 questions covering Practices and Procedures, Representation before the IRS, Specific Areas of Representation, and Filing Process. The actual Special Enrollment Examination Part 3 allows 3.5 hours and requires a scaled score of 500 (on a 200-800 scale) to pass. Select the single best answer for each question.

1. A practitioner's overall relationship with the enrollment status is best understood as:

A. A permanent, unconditional property right that cannot ever be revoked once granted
B. A purely contractual arrangement negotiated privately between the practitioner and the IRS
C. An entitlement automatically vesting the moment an application is initially submitted
D. A privilege granted by the government, subject to ongoing conditions and potential revocation

2. A practitioner's continuing education hours must generally be completed:

A. Entirely within the final thirty days of the three-year enrollment cycle
B. At any point at all, since timing within the cycle is treated as irrelevant
C. Within the applicable three-year enrollment cycle, not merely at its very end
D. Only during the specific calendar month the practitioner was originally enrolled

3. A practitioner's inactive enrollment status may generally be reactivated by:

A. Completing any outstanding continuing education requirements and submitting the appropriate reactivation request
B. Simply waiting for the IRS to automatically reactivate the status with no action required
C. Filing an entirely new, separate enrollment application as though never previously enrolled
D. Paying a specific reactivation fee with no further educational requirement at all

4. A practitioner's obligation to disclose relevant background information on an enrollment renewal application applies to:

A. Only developments occurring during the practitioner's very first year of original enrollment
B. Material developments since the prior renewal, such as new criminal charges or tax compliance issues
C. Only developments the practitioner personally considers minor and inconsequential
D. No developments whatsoever, since renewal applications require no substantive disclosure

5. A practitioner's due diligence obligation regarding a client's claimed charitable contribution deduction generally requires:

A. Independent verification with every single charitable organization named on the return
B. A reasonable inquiry where the claimed amount or type of contribution appears questionable
C. Automatic disallowance of any contribution claim exceeding a specific fixed dollar amount
D. No inquiry whatsoever, since charitable contribution claims are presumed accurate automatically

6. A practitioner's advice regarding a position with substantial authority, disclosed on the return despite not being required to be, is generally:

A. Permitted and reflects a cautious, transparent approach consistent with sound professional practice
B. Prohibited entirely, since unnecessary disclosure is treated as a Circular 230 violation
C. Irrelevant to Circular 230, since disclosure beyond the minimum requirement carries no significance
D. Relevant only if the IRS later specifically objects to the voluntary disclosure made

7. A contingent fee arrangement involving a state tax matter handled alongside a related federal tax matter is generally evaluated:

A. Entirely under Circular 230's rules for both the federal and state matters combined
B. Entirely under the applicable state's own rules for both the federal and state matters combined

C. Under Circular 230's rules only as to the federal matter, with state rules separately governing the state matter

D. Under no rules whatsoever, since combined federal and state matters fall outside any regulation

8. A practitioner's fee that a client later claims was excessive, absent any other misconduct, generally:

A. Automatically triggers disbarment regardless of the specific circumstances actually involved

B. Is entirely immune from any Circular 230 review once the client has already paid it

C. Can only be addressed through a private civil lawsuit, never through Circular 230 at all

D. May be evaluated under Section 10.27's unconscionable fee standard based on the specific circumstances

9. A practitioner's advertisement that truthfully states the firm accepts a specific range of tax matters is generally:

A. Permitted, since truthfully describing the scope of matters handled is not itself misleading

B. Prohibited entirely, since describing the scope of accepted matters is categorically banned

C. Permitted only if every single specific matter type the firm handles is separately and exhaustively listed

D. Permitted only for firms that have been in continuous operation for over a decade

10. A practitioner's conflict of interest evaluation for representing a decedent's estate and an individual beneficiary simultaneously should generally consider:

A. Only the total dollar value of the decedent's overall estate

B. Only whether the beneficiary happens to be the practitioner's own personal acquaintance

C. Whether the estate's and the beneficiary's specific interests could genuinely diverge in the matter

D. Only the specific number of other beneficiaries named in the decedent's will

11. A practitioner's written consent documentation for representing multiple parties in a matter should generally specify:

A. Only that each party has independently retained separate outside counsel for the matter
B. Only the specific total dollar amount of the practitioner's combined fee across all parties
C. Only that each party has met the other parties in person prior to consenting
D. That each party understands the practitioner cannot fully advocate exclusively for that party's own interests

12. A firm's Section 10.36 procedures should generally address how the firm handles a discovered compliance violation by:

A. Simply concealing the violation from any further internal or external review
B. Correcting the specific violation and taking steps to prevent its recurrence going forward
C. Terminating the involved staff member immediately with no further investigation of any kind
D. Ignoring the violation entirely unless a client happens to formally complain about it

13. A practitioner's Section 10.51(a)(4) violation for false statements is distinguishable from an honest, good-faith mistake in that the violation requires:

A. No showing of knowledge or fault of any kind whatsoever regarding the statement
B. Some element of knowledge or reckless disregard regarding the statement's actual falsity
C. Proof that the client also independently knew the statement was actually false
D. A separate, prior criminal conviction obtained specifically for the false statement itself

14. A practitioner's obligation to advise a client of the consequences of noncompliance under Section 10.21 should generally include:

A. Only a vague, general warning with absolutely no specific detail provided at all
B. A formal written legal opinion prepared and delivered by a licensed attorney only
C. A reasonably specific explanation of the potential penalties or other consequences actually involved
D. A guarantee regarding the exact specific outcome the noncompliance will ultimately produce

15. A practitioner's written tax opinion prepared for a client's specific, identified transaction should generally be tailored to:

A. The actual specific facts of that transaction, not a generic, boilerplate analysis
B. A generic template applicable identically to any conceivable similar transaction
C. Only the client's own personal, subjective preference for a particular conclusion
D. Only the shortest possible length regardless of the transaction's actual complexity

16. A practitioner's competence obligation regarding a matter involving multiple, interacting areas of tax law generally requires:

A. Formal separate certification in each individual area of tax law involved
B. Referring the entire matter to a different practitioner regardless of the practitioner's own actual competence
C. Addressing only the single area of tax law the practitioner personally finds most familiar
D. Sufficient understanding of how the interacting areas actually affect one another in the specific matter

17. A practitioner's advertising that includes a specific dollar figure representing typical client savings should generally be:

A. Based on the single most favorable outcome the firm has ever achieved for any client
B. Presented with no supporting basis of any kind, since specific figures are inherently persuasive
C. Accurate and representative of genuinely typical results, not an outlier best-case figure
D. Omitted entirely from all advertising, since specific dollar figures are categorically prohibited

18. A practitioner's obligation under Section 10.20 to submit records applies to a request the practitioner believes is overly broad by generally requiring the practitioner to:

A. Automatically comply in full with the overly broad request as originally stated with no discussion
B. Raise the scope concern with the requesting IRS employee rather than simply ignoring the request
C. Simply ignore the request entirely with no response of any kind provided
D. File an immediate formal lawsuit challenging the request's validity before any discussion occurs

19. A practitioner's failure to identify a client's eligibility for an available penalty abatement reflects most directly on the practitioner's:

A. Competence and diligence in staying current on available relief options
B. Personal financial situation, which is entirely unrelated to this specific professional matter
C. Physical health, which bears no genuine relationship to this specific professional shortfall
D. Personal relationships outside the practice, which are unrelated to this specific matter

20. A practitioner's Section 10.29 conflict analysis regarding representation of a trust and its individual beneficiaries should generally distinguish between:

A. Only which beneficiary happens to be the oldest among those named in the trust
B. Only which beneficiary lives geographically closest to the practitioner's own office
C. Only the specific font used in the original trust document itself
D. The trust's fiduciary obligations and each beneficiary's own individual, potentially divergent interests

21. A practitioner's obligation to maintain confidentiality of a former client's information generally:

A. Ends immediately and entirely once the representation formally concludes
B. Continues even after the representation of that former client has formally concluded
C. Applies only while litigation involving that former client remains actively pending
D. Applies only if the former client continues paying the practitioner an ongoing retainer fee

22. A practitioner's decision to decline representing a client whose desired outcome the practitioner believes is legally unattainable is generally:

A. A violation of an implied duty to pursue any outcome a client explicitly desires
B. Irrelevant to Circular 230, since declining representation carries no professional significance
C. An appropriate exercise of professional judgment, provided the practitioner communicates this assessment honestly
D. Permitted only if the practitioner first provides a specific written legal citation supporting the assessment

23. A practitioner's obligation regarding accuracy of representations extends to representations made about:

A. Both the taxpayer's factual situation and the applicable legal analysis presented
B. Only the taxpayer's factual situation, never the applicable legal analysis presented
C. Only the applicable legal analysis presented, never the taxpayer's factual situation
D. Neither category, since accuracy obligations apply only to numerical calculations specifically

24. A practitioner's suspension sanction generally does NOT prevent the practitioner from:

A. Practicing before the IRS during the specific defined suspension period itself
B. Representing taxpayers in any IRS examination during the suspension period
C. Representing taxpayers at any Appeals conference during the suspension period
D. Continuing to hold an underlying state professional license unrelated to IRS practice specifically

25. A practitioner's monetary penalty under Section 10.50, when combined with a suspension, generally reflects:

A. A drafting error, since these two sanctions can never legitimately be combined together
B. An automatic doubling of whatever penalty amount would otherwise apply alone
C. OPR's determination that both financial and practice-restriction consequences are appropriate given the violation
D. A violation so minor that only a warning letter would ordinarily be appropriate instead

26. A practitioner's reinstatement following disbarment generally requires demonstrating rehabilitation through:

A. Concrete evidence of changed conduct and genuine present fitness to practice
B. Simply asserting, without any further evidence, that the practitioner has changed
C. Payment of a specific reinstatement fee with no further substantive showing required

D. A character reference letter from a single personal friend with no other supporting evidence

27. A practitioner's obligation to disclose a conflict extends to a conflict the practitioner becomes aware of:

A. Only at the very outset of the representation, with no ongoing obligation thereafter
B. Only if a client independently and separately raises the specific concern first
C. Only after the representation has already formally and completely concluded
D. At any point during the representation, not only at its initial outset

28. A practitioner's Section 10.33 best practices obligation regarding the scope of an engagement encourages:

A. Deliberately leaving the scope ambiguous to preserve maximum future flexibility
B. Clearly defining what the representation does and does not cover from the outset
C. Expanding the scope automatically over time with no further client discussion required
D. Limiting the scope so narrowly that routine related matters are always excluded

29. A practitioner's Section 10.34 obligation applies to a position taken on a claim for refund in the same manner as:

A. Only a position taken during formal Tax Court litigation, never an administrative claim
B. Only a position involving a business entity, never an individual taxpayer's claim
C. No comparable standard at all, since refund claims are treated as entirely unregulated
D. A position taken on an original return, since both are subject to the same return position standards

30. A practitioner's overall approach to professional development should generally reflect:

A. Satisfying only the strict minimum continuing education hours with no further effort of any kind
B. Ongoing learning beyond the minimum continuing education requirement, given the evolving nature of tax law

C. Complete reliance on colleagues to stay informed, with no independent effort by the practitioner
D. No ongoing learning at all once the practitioner has passed the initial Special Enrollment Examination

31. A practitioner's overall professional identity under Circular 230 is best understood as combining:

A. Technical tax expertise with an independent ethical obligation to the broader tax system
B. Only technical tax expertise, with no separate ethical obligation of any kind involved
C. Only an ethical obligation, with no meaningful technical expertise actually required
D. Neither technical expertise nor ethical obligation, since practice is treated as purely transactional

32. A taxpayer's power of attorney authorizing a representative to receive but not negotiate a refund check illustrates:

A. An invalid authorization, since receiving and negotiating are always treated as a single combined authority
B. A complete grant of full authority over all aspects of the refund
C. A partial grant of authority, since receiving and negotiating are treated as separate, distinct authorizations
D. An authorization that automatically expands to include negotiation after a fixed waiting period

33. A representative's Form 2848 authority to substitute a different representative for the taxpayer generally requires:

A. No special notation at all, since substitution authority is presumed automatically
B. Specific authorization for substitution checked on the applicable line of the form
C. A separate court order specifically authorizing any representative substitution
D. The original representative's own personal written consent to be substituted

34. A taxpayer's power of attorney authorization generally applies to communications with:

A. Every possible federal government agency regardless of any connection to the covered matters
B. Only the specific IRS employee who happened to process the original application
C. Only IRS offices located within the taxpayer's own specific state of residence
D. The specific IRS functions and offices relevant to the matters and periods actually covered

35. A taxpayer's assessment statute of limitations generally is NOT tolled by:

A. A pending offer in compromise under active IRS review
B. A Tax Court proceeding actively contesting a notice of deficiency
C. The taxpayer's routine, ordinary use of a paid tax return preparer
D. The taxpayer being continuously outside the United States for at least six months

36. A taxpayer's Form 872-A special consent may generally be terminated by the IRS using:

A. A notice of termination that similarly follows the applicable procedural requirements
B. No formal mechanism at all, since only the taxpayer can ever terminate this consent
C. An informal verbal notification with no written documentation required at all
D. Automatic termination after exactly one calendar year with no further action needed

37. A taxpayer's tax position supported by a decision from a circuit court other than the taxpayer's own governing circuit generally carries:

A. No weight whatsoever, since decisions from other circuits are treated as entirely irrelevant
B. Binding weight identical to a decision from the taxpayer's own governing circuit
C. Persuasive but not necessarily binding weight, unlike a decision from the taxpayer's own circuit
D. Weight equivalent only to an informal, non-precedential IRS website FAQ

38. A taxpayer's transparent disclosure of a tax position, even one the taxpayer believes is likely to be rejected, generally reflects:

A. Legitimate avoidance rather than evasion, since transparency itself negates the concealment element

B. Evasion, since anticipating rejection while still taking the position suggests bad faith
C. Grounds for automatic criminal prosecution regardless of the actual disclosure made
D. Proof the taxpayer lacked any genuine good-faith basis for the position at all

39. The Taxpayer Advocate Service's Low Income Taxpayer Clinic referrals generally serve taxpayers who:

A. Have already fully resolved their matter with no further assistance needed at all
B. Meet specific income eligibility criteria and need representation assistance
C. Specifically prefer working with a Low Income Taxpayer Clinic over any other representative option
D. Have income exceeding a specific high-income threshold set for premium services

40. A Taxpayer Assistance Order's practical effect on an ongoing levy is generally to:

A. Have no practical effect whatsoever on any ongoing levy action already in progress
B. Automatically convert the levy into a formal, accepted installment agreement instead
C. Permanently and immediately bar any future levy action of any kind against that taxpayer
D. Direct the IRS to release the levy where the applicable hardship criteria are genuinely met

41. An Enrolled Agent's practice rights generally extend to representing a taxpayer in a matter involving:

A. Only individual income tax matters, never employment tax or business tax matters
B. Only matters the EA personally prepared the underlying return for
C. Employment tax issues, in addition to individual and business income tax matters
D. Only matters involving amounts below a specific dollar threshold

42. A practitioner's preliminary assessment of a new matter involving a business entity should generally include confirming:

A. The specific entity type and its implications for the applicable tax rules and representation scope
B. Only the entity's specific office building's physical square footage

C. Only the entity's specific choice of company logo or branding design
D. Only the entity's total number of social media followers across various platforms

43. A conflict check's scope for a matter involving a partnership should generally extend to:

A. Only the partnership's own formal legal name, with no inquiry into individual partners
B. The individual partners, given their potential personal stake in partnership-level tax matters
C. Only the partnership's specific industry classification code for tax purposes
D. Only the partnership's total number of years in continuous business operation

44. A taxpayer's wage and income transcript for a specific tax year generally becomes available:

A. Immediately upon the close of the calendar year, before any information returns are actually filed
B. Only after the taxpayer has personally requested an extension for that specific year
C. After third-party payers have submitted their information returns to the IRS for that year
D. Only after the taxpayer's own return for that year has actually been filed

45. A practitioner's use of the Collection Financial Standards for a self-employed taxpayer should generally also account for:

A. Only the taxpayer's personal living expenses, with no separate business expense consideration
B. Only the taxpayer's total gross business revenue, with no expense deduction whatsoever
C. Only the taxpayer's personal preference for how business expenses should be categorized
D. Legitimate, necessary business expenses distinct from personal living expenses

46. A requesting spouse's Innocent Spouse Relief claim generally requires the underlying liability to arise from:

A. Any return whatsoever, regardless of whether it was filed jointly or separately
B. A return the requesting spouse actually filed jointly with the other spouse
C. A return filed entirely separately by the other spouse alone, with no joint filing at all

D. A liability arising from a source entirely unrelated to any tax return ever filed

47. A practitioner's documentation for a requesting spouse's economic hardship under Equitable Relief should generally include:

A. Only the requesting spouse's general, subjective feelings about the overall situation
B. Only the couple's original engagement photos and wedding album materials
C. Only the requesting spouse's personal opinion about the other spouse's overall character
D. Specific financial information demonstrating the genuine hardship if relief is denied

48. A practitioner's evaluation of a requesting spouse's knowledge for traditional relief purposes should generally distinguish between:

A. Actual knowledge of the specific understatement and mere general awareness the couple had tax obligations
B. Only whether the requesting spouse ever signed any document at all during the marriage
C. Only whether the requesting spouse and the other spouse shared a joint bank account
D. Only whether the requesting spouse was employed outside the home during the marriage

49. A practitioner's early assessment of a matter for potential criminal exposure should generally consider the specific pattern of:

A. Whether facts suggest deliberate, willful concealment rather than a series of innocent, isolated errors
B. Only the client's overall demeanor during a single initial consultation meeting
C. Only the client's stated occupation, regardless of any facts about the underlying conduct itself
D. Only the specific number of years the client has been the practitioner's client

50. A practitioner's referral to criminal defense counsel should generally include providing counsel with:

A. No information whatsoever, since the referral itself is treated as sufficient on its own

B. A summary of the relevant facts and documents the practitioner has gathered, subject to any applicable privilege
C. Only the client's billing history with the referring practitioner's own firm
D. Only the referring practitioner's own personal opinion of the client's overall character

51. A Kovel arrangement's documentation should generally reflect that the accountant's engagement was initiated by:

A. The client directly, with no attorney involvement in the actual engagement's initiation
B. The IRS itself, as a condition of the client's ongoing cooperation with an examination
C. The attorney, not directly by the client, to properly establish the arrangement's structure
D. An entirely unrelated third party with no connection to either the client or the attorney

52. A practitioner's case-building documentation for a disputed legal issue, as opposed to a disputed factual issue, should generally emphasize:

A. Only witness statements and other purely factual evidence with no legal analysis included
B. Only the practitioner's own personal, subjective opinion about which side should prevail
C. Only the total number of pages the resulting documentation happens to span
D. Applicable authority and reasoned legal analysis rather than primarily factual evidence

53. A practitioner's overall case assessment for a matter involving both a strong factual position and a weak legal position should generally:

A. Simply overstate the legal position's strength to the client to maintain client confidence artificially
B. Reflect this mixed strength honestly in the overall strategy and communications with the client
C. Ignore the factual position entirely and focus exclusively on the weak legal position instead
D. Avoid discussing the mixed strength with the client at all to avoid causing any concern

54. A practitioner's case notes should generally avoid including:

A. Speculative, unsupported personal opinions presented as though they were established facts
B. Objective observations about documents the client has actually provided
C. A record of specific questions asked and the client's actual responses given
D. Dates and details of significant developments in the matter as they genuinely occur

55. A practitioner's overall case-building strategy for a matter with an approaching statute of limitations deadline should generally:

A. Ignore the approaching deadline entirely and proceed at the practitioner's own normal, unhurried pace
B. Wait until the deadline has actually passed before beginning any meaningful factual development
C. Prioritize completing necessary factual development before the deadline meaningfully restricts available options
D. Focus exclusively on the deadline itself with no attention paid to the underlying facts at all

56. A practitioner's overall preliminary case assessment process should generally be revisited when the taxpayer's:

A. Personal preference for a specific meeting time simply changes during the representation
B. Mailing address changes to a different location within the exact same city
C. Preferred method of communication shifts from phone calls to email correspondence
D. Financial circumstances change materially, potentially affecting the available range of resolution options

57. A practitioner's case-building work for a matter involving a novel, previously unaddressed legal question should generally include:

A. Simply asserting the practitioner's own personal opinion with no supporting research conducted at all
B. Thorough research into analogous authority and reasoned extrapolation to the specific novel facts
C. Avoiding the novel question entirely and addressing only unrelated, more familiar issues instead
D. Deferring entirely to whatever position the client happens to personally prefer, with no independent analysis

58. A practitioner's overall approach to preliminary case assessment should generally reflect an awareness that:

A. The initial assessment, once made, should never be reconsidered under any subsequent circumstances
B. Additional fact-gathering after the initial assessment is generally unnecessary and wasteful
C. The client's own initial account of the facts is always entirely complete and fully accurate
D. Initial impressions may change as additional facts are gathered and more fully developed

59. A practitioner's case-building process ultimately aims to position the taxpayer for:

A. The most favorable outcome reasonably achievable given the genuine underlying facts and applicable law
B. An outcome entirely independent of the actual underlying facts or applicable law involved
C. A guaranteed specific dollar amount of relief regardless of the matter's actual particular circumstances
D. The fastest possible resolution regardless of whether that resolution is genuinely favorable

60. A practitioner's overall case-building philosophy is best summarized as:

A. Building the largest possible volume of documentation regardless of its actual genuine relevance
B. Building a record designed primarily to satisfy the practitioner's own personal curiosity
C. Building a genuinely accurate, well-supported record that serves the taxpayer's legitimate interests
D. Building a record intended primarily to delay the underlying matter's ultimate resolution

61. A taxpayer's short-term payment plan request that is subsequently defaulted upon generally leaves the taxpayer with the option to:

A. No further collection resolution option whatsoever, since default forecloses all remaining alternatives
B. Pursue a formal installment agreement or another appropriate collection alternative instead
C. Automatic qualification for an offer in compromise regardless of the taxpayer's actual circumstances
D. Immediate referral to IRS Criminal Investigation regardless of the underlying circumstances involved

62. A taxpayer's non-streamlined installment agreement, once granted based on a full financial disclosure, may generally be modified if:

A. The taxpayer simply requests a modification with no showing of any changed circumstances required
B. A full calendar year has elapsed since the agreement was originally granted
C. The taxpayer's financial circumstances subsequently change in a way materially affecting ability to pay
D. The taxpayer has made every single payment on time with no default of any kind

63. A taxpayer's offer in compromise submitted on the basis of Doubt as to Liability generally focuses the IRS's review on:

A. Whether the assessed liability is actually correct as a matter of underlying fact and law
B. Only the taxpayer's actual current ability to pay the assessed amount
C. Only the taxpayer's personal financial hardship if required to pay in full
D. Only whether the taxpayer has previously submitted any other offer in compromise

64. A taxpayer's periodic-payment offer that is ultimately rejected generally results in the payments already made being:

A. Fully refunded to the taxpayer in their entirety with no application toward the liability
B. Forfeited entirely with no application toward the taxpayer's underlying liability at all
C. Returned to the taxpayer only if the taxpayer specifically requests a refund in writing
D. Retained by the IRS and applied toward the underlying tax liability rather than refunded

65. A lien subordination granted to facilitate a taxpayer's refinancing generally requires demonstrating:

A. The subordination will ultimately increase the amount the IRS can actually collect or otherwise serve its interests
B. Only that the taxpayer personally prefers the specific refinancing lender involved
C. Only that the new lender happens to be a well-known, nationally recognized financial institution
D. Only that the taxpayer has never previously defaulted on any other type of loan

66. A levy on a taxpayer's investment account generally reaches:

A. Only the account's original initial deposit amount, with no subsequent growth included
B. The account's value as of the specific moment the levy is actually received by the institution
C. The account's projected future value calculated ten years forward from the levy date
D. Nothing at all, since investment accounts are categorically exempt from levy under all circumstances

67. A Currently Not Collectible taxpayer whose CSED approaches without a change in financial circumstances generally experiences:

A. Automatic conversion of the CNC status into a formal offer in compromise instead
B. Permanent extension of the CSED for as long as the CNC status remains in effect
C. The debt effectively expiring as the collection statute actually runs its course
D. Immediate reactivation of full collection regardless of the taxpayer's unchanged circumstances

68. A taxpayer's CDP hearing request regarding a proposed levy should generally address:

A. Only the taxpayer's general personal opinion regarding the fairness of federal taxation generally
B. Only the specific physical location where the proposed levy would occur
C. Only the specific revenue officer's own personal work schedule and availability
D. Available collection alternatives the taxpayer wishes Appeals to consider in place of the levy

69. A TFRP investigation's document requests generally seek to establish a responsible person's:

A. Only the individual's personal social media activity unrelated to any business role
B. Only the individual's personal relationship status outside of work
C. Actual check-signing authority and role in determining which creditors were paid
D. Only the individual's specific commute distance and method to the workplace

70. A responsible person facing a proposed TFRP assessment should generally respond to the proposed assessment notice by:

A. Simply ignoring the notice entirely, since a response is treated as purely optional

B. Waiting for the IRS to independently withdraw the proposed assessment on its own

C. Immediately admitting full responsibility without any further factual analysis conducted

D. Timely submitting a substantive response addressing the responsibility and willfulness elements

71. A practitioner's Section 7525 privilege claim should generally be supported by evidence that the communication:

A. Was made with a genuine, reasonable expectation of confidentiality at the time

B. Was made in a public setting with numerous unrelated third parties present throughout

C. Was later voluntarily shared with an unrelated third party after being made

D. Addressed a matter entirely unrelated to any actual tax planning or consulting advice

72. A taxpayer's Cohan estimate that the IRS partially accepts and partially rejects generally reflects:

A. A clerical processing error requiring immediate, automatic correction by the IRS

B. The examiner's own independent judgment about which portions of the estimate are adequately credible

C. An automatic rule requiring either full acceptance or full rejection with no partial outcome possible

D. Proof the taxpayer acted in bad faith throughout the entire estimation process

73. A practitioner's review of an examiner's factual findings in an RAR should generally verify:

A. Whether the findings are actually consistent with the documentation the taxpayer originally provided

B. Only whether the findings happen to be typed rather than handwritten in the report

C. Only the specific date the RAR document was formally issued to the taxpayer

D. Only the total number of exhibits attached to the formal RAR document

74. A taxpayer's decision to request an Appeals conference on some but not all issues raised in an RAR should generally be reflected in:

A. A verbal phone call to the examiner with no written follow-up documentation provided
B. A written protest or Small Case Request clearly specifying which issues are being contested
C. Silence regarding the specific issues, leaving Appeals to determine the scope independently
D. A request that Appeals simply review the entire case file without any specific guidance provided

75. A CP-2000 notice's proposed penalty component, if any, should generally be reviewed separately from:

A. Nothing at all, since the tax and penalty components are always treated as an inseparable single unit
B. The taxpayer's own name and address as they appear on the notice
C. The proposed tax adjustment itself, since penalty relief may be available even where the tax adjustment is accurate
D. The specific tax year the notice actually addresses

76. A taxpayer's Tax Court petition that inadvertently omits a specific contested adjustment generally may be:

A. Never corrected under any circumstances once the original petition has actually been filed
B. Automatically dismissed entirely due to the specific omission of that one adjustment
C. Refiled as an entirely new petition with no connection to the original filing whatsoever
D. Amended, subject to the Tax Court's own applicable rules and procedures governing amendment

77. A taxpayer's Appeals conference presentation regarding a mixed question of fact and law should generally address:

A. Both the specific factual evidence and the applicable legal authority supporting the taxpayer's position
B. Only the factual evidence, since Appeals is treated as concerned exclusively with facts
C. Only the legal authority, since Appeals is treated as concerned exclusively with law

D. Neither factual evidence nor legal authority, relying instead solely on general argument

78. A taxpayer's decision to accept an Appeals settlement offer should generally be made only after:

A. Simply being told a settlement offer exists, with no further explanation of its actual terms
B. Being informed only of the settlement's overall total dollar amount, with no further detail
C. Fully understanding the settlement's specific terms and its practical implications going forward
D. Being informed only of the specific date the settlement offer happens to expire

79. A taxpayer's small tax case procedure decision should generally be discussed with the practitioner before electing it because:

A. The election automatically increases the total amount of tax ultimately owed by the taxpayer
B. The election forecloses future appellate review, a consequence the taxpayer should fully understand
C. The election requires the taxpayer to personally appear without any representative present
D. The election is entirely irreversible even before the case has actually been formally decided

80. A taxpayer's formal written protest's organization by individual issue, rather than as a single continuous narrative, generally serves to:

A. Simply increase the overall total length and complexity of the resulting protest document
B. Satisfy a purely formal, cosmetic requirement with no genuine substantive benefit at all
C. Confuse the Appeals Officer by unnecessarily fragmenting what should remain a single unified argument
D. Allow the Appeals Officer to efficiently evaluate the relative merits of each specific issue independently

81. A taxpayer's Appeals settlement documented through Form 870-AD generally has which effect on the assessment statute?

A. The assessment statute is permanently and entirely eliminated for all future purposes

B. The assessment statute automatically extends by an additional full ten years
C. The assessment statute has no application whatsoever once a settlement has been reached
D. The settled amount is assessed consistent with the closing agreement's specific terms

82. A taxpayer's decision to pursue Post-Appeals Mediation on a remaining unresolved factual issue should generally weigh:

A. Whether a neutral mediator could genuinely help bridge the specific factual disagreement remaining
B. Only the specific mediator's personal favorite sports team or hobby interests
C. Only whether the mediation session would be scheduled on a specific day of the week
D. Only whether the taxpayer's representative has previously used mediation in any prior matter

83. A taxpayer's Appeals conference outcome resulting in full concession by the IRS on a specific issue generally reflects:

A. An automatic, unconditional rule requiring the IRS to concede every disputed issue in every case
B. A hazards-of-litigation assessment that the government's position on that issue was genuinely weak
C. A clerical processing error in how the specific issue was originally documented in the RAR
D. Proof the examiner who originally proposed the adjustment acted in genuine bad faith throughout

84. A practitioner's overall Appeals representation should generally reflect an understanding that a favorable settlement:

A. Eliminates any further obligation whatsoever on the taxpayer's part going forward
B. Guarantees the taxpayer will never again face any IRS scrutiny of any kind
C. Still requires the taxpayer's own subsequent compliance with the settlement's specific terms
D. Automatically extends to cover every future, entirely unrelated tax year as well

85. A preparer's reliance on software-generated calculations should generally be paired with an understanding that:

A. All commercially available software products are functionally identical in every meaningful respect
B. Software calculations are legally binding on the IRS regardless of any underlying data errors
C. The software's output is only as accurate as the underlying data the preparer entered
D. Software eliminates the need for the preparer to review the client's original source documents

86. A preparer's discovery of a duplicate entry during a routine internal quality review, rather than a client-prompted review, illustrates:

A. An unusual, statistically rare occurrence unlikely to ever happen again in future engagements
B. The genuine value of proactive internal quality control processes independent of client prompting
C. Evidence the preparer's overall competence should genuinely be questioned as a general matter
D. A matter entirely outside the scope of the preparer's own actual professional responsibilities

87. A preparer's Section 6107(b) list-based recordkeeping alternative should generally include enough detail to allow:

A. Calculation of the preparer's total annual gross revenue from all sources combined
B. Tracking of the preparer's own personal continuing education hours completed
C. A general summary of the preparer's overall marketing and advertising expenditures
D. Identification of the specific taxpayer and tax year for each return prepared

88. A preparer's physical office security measures should generally be evaluated based on:

A. The genuine sensitivity of the information stored and the actual risks reasonably present
B. Whatever security measures happen to be least expensive for the firm to implement
C. Whatever security measures a single, specific competitor firm happens to currently use
D. No specific evaluation criteria at all, since physical security is treated as purely discretionary

89. An IRS e-file Application generally requires the applicant to certify:

A. A specific minimum annual revenue figure the applicant expects to generate from tax preparation

B. A specific number of years the applicant intends to remain in the tax preparation business

C. The accuracy of the information provided and an understanding of the applicable Provider responsibilities

D. A specific personal relationship with at least one currently practicing Enrolled Agent

90. A firm's decision to discontinue an e-file Provider role it no longer actively uses should generally be reflected through:

A. No action of any kind, since discontinued roles are treated as automatically removed with no update needed

B. An appropriate update to the firm's e-file Application status reflecting the discontinued role

C. Simply ceasing to perform the role's functions with no formal update to any application status

D. Waiting for the IRS to independently notice and remove the discontinued role on its own

91. A preparer's specified tax return preparer status determination should generally be reassessed:

A. Only once, at the very beginning of the preparer's entire career, with no further reassessment ever

B. Only if the preparer's total volume happens to decrease from the immediately preceding year

C. Only if a specific client formally requests the preparer confirm their current status

D. At the start of each new calendar year, based on that year's reasonably expected volume

92. A preparer's Form 8948 attached to a paper-filed return should generally be consistent with:

A. A generic, standardized explanation used identically for every paper-filed return regardless of the actual reason

B. The preparer's own general impression of the client's overall satisfaction with the firm

C. The preparer's own personal preference for paper filing as a general practice matter

D. The specific exception actually claimed and any supporting documentation retained in the file

93. A preparer's Form 8944 hardship waiver request should generally be submitted with sufficient time to:

A. Allow the IRS to review and respond before the preparer would otherwise need to comply with the mandate

B. Allow the preparer to avoid any possibility of ever needing to e-file any return at all

C. Allow the preparer's clients to formally vote on whether the waiver should actually be requested

D. Allow the request to be submitted on the exact final day of the entire filing season

94. A taxpayer's Form 8879 signature obtained through the Self-Select PIN method requires providing which specific identity verification element?

A. The taxpayer's own current Social Security card physically presented in person

B. A notarized affidavit confirming the taxpayer's current legal identity

C. The taxpayer's prior-year adjusted gross income or prior-year Self-Select PIN

D. A recent utility bill showing the taxpayer's current mailing address

95. An ERO's retention obligation for Form 8879 exists to support verification even where:

A. The taxpayer has since passed away, since retention obligations end immediately upon a taxpayer's death

B. The underlying return generated no additional tax liability or resulted in a refund

C. The taxpayer has since moved to an entirely different country

D. The preparer's own firm has since closed its business operations entirely

96. A preparer's use of Form 8453 should generally be limited to the specific documents:

A. The current instructions actually identify as requiring this particular separate transmittal method

B. Any document the preparer personally believes might be relevant to the return generally

C. Any document the client specifically requests be included with the filing generally

D. Any document exceeding a specific minimum physical page length

97. A rejected return's perfection period correction should generally address:

A. The specific error the rejection notice actually identified, not unrelated aspects of the return
B. Every single aspect of the return regardless of any actual connection to the specific rejection reason
C. Only aspects of the return the preparer personally finds most interesting to review
D. Only aspects of the return involving the largest dollar amounts reported

98. A preparer's awareness of common e-file rejection codes should generally support:

A. No practical benefit whatsoever, since rejection codes are treated as purely random and uninformative
B. A requirement to memorize every possible code without ever consulting current reference materials
C. More efficient diagnosis and correction of the specific underlying issue causing a given rejection
D. An assumption that every rejection reflects the identical underlying cause regardless of the specific code

99. A preparer's overall e-file compliance culture within the firm is most effectively reinforced through:

A. A single mandatory training session held once, with no further reinforcement of any kind thereafter
B. Consistent training, clear internal procedures, and genuine leadership commitment to compliance
C. Relying entirely on individual staff members' own personal initiative with no firm-wide structure
D. Punitive measures alone with no accompanying training or genuine procedural support provided

100. An e-file Provider's overall commitment to compliance ultimately reflects the recognition that electronic filing:

A. Is entirely without any meaningful responsibility beyond simply transmitting data accurately
B. Exists solely to benefit the individual Provider's own narrow business interests
C. Carries responsibilities that apply only during the specific weeks immediately before the filing deadline
D. Represents a genuine privilege carrying corresponding responsibilities to the broader tax system

Practice Exam 10: Answer Key and Explanations

1. D — D—Enrollment status is best understood as a privilege the government grants, subject to ongoing conditions such as renewal and good conduct, and potential revocation for misconduct. It is not an unconditional permanent property right, is not a privately negotiated contract, and does not automatically vest merely upon initial application submission.

2. C — C—Continuing education hours must generally be completed within the applicable three-year cycle, though practitioners are encouraged to spread completion throughout rather than cramming at the end. This is not limited to only the final thirty days, timing within the broader cycle does carry some relevance, and completion is not limited to a specific enrollment-anniversary month.

3. A — A—Reactivation generally requires completing any outstanding continuing education requirements and submitting the appropriate reactivation request through the proper official IRS channels. Reactivation is not automatic with no action required, does not require filing an entirely new application as a first-time applicant, and involves more than merely paying a fee alone.

4. B — B—This disclosure obligation applies to material developments since the prior renewal, such as new criminal charges or tax compliance issues arising during the intervening period. It is not limited only to the first year of original enrollment, is not limited only to developments the practitioner personally deems minor, and genuine substantive disclosure is required.

5. B — B—Due diligence requires a reasonable inquiry specifically where the claimed amount or type of contribution appears genuinely questionable given the circumstances, not blanket independent verification. Independent verification with every named organization, automatic disallowance above an arbitrary amount, and no inquiry at all under any circumstances all misstate this reasonable-inquiry standard.

6. A — A—Voluntarily disclosing a position beyond the minimum required, even where substantial authority alone would suffice, reflects a cautious, transparent approach fully consistent with sound professional practice. This is not prohibited as a violation, is not irrelevant to Circular 230's broader concerns, and does not depend on the IRS later specifically objecting to it.

7. C — C—A combined engagement is evaluated under Circular 230's rules specifically as to the federal matter, while the state matter is separately governed by applicable state law and rules. It is not evaluated entirely under Circular 230, is not evaluated entirely under state rules alone, and combined matters are not entirely outside all applicable regulation.

8. D — D—A fee dispute may be evaluated under Section 10.27's unconscionable fee standard based on the specific circumstances, a Circular 230 avenue distinct from private civil litigation. It does not automatically trigger disbarment, is not immune from review simply because it was already paid, and can genuinely be addressed through Circular 230, not only private litigation.

9. A — A—Truthfully describing the general scope of matters the firm accepts is permitted, since this kind of accurate description is not itself misleading under Circular 230's advertising standards. It is not categorically banned, does not require an exhaustive listing of every specific matter type, and carries no minimum years-in-operation requirement to be permissible.

10. C — C—This conflict analysis considers whether the estate's and the individual beneficiary's specific interests could genuinely diverge in the particular matter being handled. The estate's total dollar value, personal acquaintance with a specific beneficiary, and the total number of other named beneficiaries are not themselves the substantive factors this analysis turns on.

11. D — D—Proper consent documentation should specify that each party understands the practitioner cannot exclusively advocate for that single party's own interests given the joint representation. It need not require each party to separately retain outside counsel, need not specify the combined fee amount, and need not require the parties to have previously met in person.

12. B — B—Sound procedures address correcting the specific violation actually discovered and taking meaningful steps to prevent its future recurrence going forward reliably and consistently over time. Concealing the violation, terminating staff immediately with no investigation, and ignoring it unless a client complains are all inappropriate, ineffective responses to a genuine discovered violation.

13. B — B—A Section 10.51(a)(4) violation requires some element of knowledge or reckless disregard regarding the statement's actual falsity, distinguishing it from a genuinely honest, good-faith mistake. No fault requirement at all would sweep in honest mistakes improperly, the client's own separate knowledge is not required, and no prior separate criminal conviction is required.

14. C — C—This advisory obligation should include a reasonably specific explanation of the potential penalties or other consequences actually likely to result from the identified noncompliance. A vague general warning with no specifics, a formal opinion requiring attorney involvement specifically, and a guaranteed specific outcome all fail to reflect this appropriate advisory standard.

15. A — A—A proper written opinion should be tailored to the actual specific facts of the client's particular transaction, not a generic, boilerplate analysis applied without regard to those facts. A generic template applied identically regardless of specifics, the client's own subjective preference for a conclusion, and an artificially minimized length all undermine a properly tailored opinion.

16. D — D—Competence in a multi-area matter requires sufficient understanding of how the interacting areas actually affect one another within that specific matter's facts. Formal separate certification in each area is not required, automatic referral regardless of actual competence is unnecessary, and addressing only the most familiar single area ignores the genuine interaction.

17. C — C—A specific savings figure should be accurate and genuinely representative of typical results actually achieved, not an outlier best-case figure that would mislead prospective clients. Basing it on the single most favorable outcome ever achieved, presenting it with no supporting basis, and categorically omitting all specific figures are all inappropriate approaches.

18. B — B—A practitioner who genuinely believes a request is overly broad should raise the scope concern directly with the requesting IRS employee, rather than simply ignoring it or automatically complying. Automatic full compliance with an overly broad request, complete non-response, and immediately filing a lawsuit before any discussion are all inappropriate first responses.

19. A — A—Failing to identify an available penalty abatement option most directly reflects on the practitioner's own competence and diligence in staying reasonably current on relief options relevant to practice generally over time. The practitioner's personal finances, physical health, and outside personal relationships are all unrelated to this specific professional competence shortfall.

20. D — D—This conflict analysis distinguishes between the trust's own fiduciary obligations and each individual beneficiary's own potentially divergent personal interests in the specific matter at hand. The oldest beneficiary's identity, geographic proximity to the practitioner's office, and the trust document's font are not themselves the substantive factors this analysis turns on.

21. B — B—Confidentiality obligations continue even after a former client's representation has formally concluded, an ongoing duty that does not simply end at the engagement's conclusion. It does not end immediately upon conclusion, is not limited only to periods of active pending litigation, and does not depend on an ongoing retainer payment continuing.

22. C — C—Declining representation of a legally unattainable desired outcome, communicated honestly to the client, is an appropriate exercise of sound professional judgment. There is no implied duty to pursue any outcome regardless of legal feasibility, this decision carries genuine professional significance, and no specific written citation is required to properly decline.

23. A — A—This accuracy obligation extends to both the taxpayer's actual factual situation and the applicable legal analysis the practitioner presents to the IRS on the taxpayer's behalf. It is not limited only to factual representations, is not limited only to legal analysis, and is not limited only to purely numerical calculations.

24. D — D—A Circular 230 suspension does not itself prevent the practitioner from continuing to hold a separate, underlying state professional license unrelated to IRS practice specifically at all. It does prevent practicing before the IRS during the suspension, including representing taxpayers in examinations and at Appeals conferences during that same period.

25. C — C—Combining a monetary penalty with a suspension reflects OPR's determination that both financial and practice-restriction consequences are genuinely appropriate given the specific violation's severity. This combination is not a drafting error since combining sanctions is legitimate, does not automatically double any penalty amount, and does not reflect only minor misconduct.

26. A — A—Reinstatement requires demonstrating rehabilitation through concrete evidence of genuinely changed conduct and present fitness to practice, a substantive showing beyond mere assertion. A bare assertion of change with no evidence, merely paying a fee with no substantive showing, and a single friend's character letter alone are all insufficient for this required showing.

27. D — D—The disclosure obligation extends to a conflict recognized at any point during the representation, not merely at its initial outset, reflecting an ongoing rather than one-time duty. It is not limited only to the initial outset, does not depend on a client independently raising the concern first, and does not apply only after conclusion.

28. B — B—Section 10.33 encourages clearly defining what the representation does and does not actually cover from the very outset of the engagement, supporting genuine mutual understanding. Deliberately leaving scope ambiguous, automatically expanding scope with no further discussion, and defining scope so narrowly that routine related matters are excluded all undermine this best practice.

29. D — D—Section 10.34 applies to a refund claim position in the same manner as an original return position, since both are subject to the same underlying return position standards. It is not limited only to formal Tax Court litigation positions, is not limited only to business entity claims, and refund claims are not entirely unregulated under Circular 230.

30. B — B—A sound professional development approach reflects ongoing learning beyond the strict minimum continuing education requirement, appropriate given how frequently tax law evolves. Satisfying only the strict minimum with no further effort, complete reliance on colleagues alone, and no ongoing learning after passing the initial SEE all fall short of this genuinely sound approach.

31. A — A—A practitioner's professional identity combines genuine technical tax expertise with an independent ethical obligation to the broader tax system, a genuinely dual professional identity. It is not merely technical expertise alone with no ethical dimension, is not merely ethical obligation alone with no technical requirement, and practice is not purely transactional.

32. C — A—This illustrates a partial grant of authority, since receiving a refund check and negotiating it are treated as separate, distinct authorizations requiring separate specific grants. This is not an invalid authorization, is not a complete grant of full authority over all refund aspects, and does not automatically expand to include negotiation after any waiting period.

33. B — C—Substitution authority requires specific authorization checked on the applicable line of Form 2848, since this heightened authority is never presumed by default at all. It is not automatically presumed without notation, does not require a separate court order, and does not require the original representative's own personal consent to the substitution.

34. D — B—Authorization applies to the specific IRS functions and offices genuinely relevant to the matters and periods actually covered by the authorization. It does not extend to every federal agency regardless of connection, is not limited to a single specific processing employee, and is not limited to offices in the taxpayer's home state specifically.

35. C — C—The taxpayer's routine use of a paid preparer is not itself a recognized tolling event affecting the assessment statute's normal running whatsoever. A pending offer in compromise, active Tax Court litigation, and a continuous six-month-plus absence from the United States are all genuinely recognized tolling events under the applicable framework.

36. A — A—The IRS may also terminate a Form 872-A special consent using its own notice of termination following the applicable procedural requirements, a bilateral termination mechanism. This is not limited to the taxpayer alone being able to terminate, is not accomplished through mere informal verbal notification, and does not automatically terminate after a fixed one-year period.

37. C — C—A decision from a different circuit carries persuasive but not necessarily binding weight, distinct from the binding weight a decision from the taxpayer's own governing circuit carries. It is not entirely without weight or relevance, is not binding in the same way the taxpayer's own circuit's decision would be, and carries more weight than a mere informal FAQ.

38. A — A—Transparent disclosure, even of a position the taxpayer anticipates may be rejected, reflects legitimate avoidance rather than evasion, since disclosure itself negates the concealment element evasion requires. Anticipating possible rejection does not itself suggest bad faith, does not trigger automatic prosecution, and does not itself prove a lack of good-faith basis.

39. B — B—LITC referrals generally serve taxpayers who meet specific income eligibility criteria and genuinely need representation assistance they might not otherwise afford. This is not for taxpayers whose matters are already fully resolved, is not based merely on subjective preference for LITC over other options, and is not for high-income taxpayers exceeding some premium threshold.

40. D — D—A TAO's practical effect on an ongoing levy is to direct the IRS to release the levy specifically where the applicable hardship criteria are genuinely satisfied in that case. It is not without any practical effect, does not automatically convert the levy into an installment agreement, and does not permanently bar all future levy action against the taxpayer.

41. C — C—An EA's unlimited practice rights extend to employment tax issues in addition to individual and business income tax matters, reflecting the genuinely broad scope of EA authority. This is not limited to only individual income tax matters, is not limited to returns the EA personally prepared, and carries no dollar threshold limiting the matter's scope.

42. A — A—A proper preliminary assessment confirms the specific entity type and its genuine implications for the applicable tax rules and the actual scope of representation needed here. Office square footage, logo or branding design, and social media follower counts are not themselves the substantive factors this initial assessment should focus on.

43. B — B—A thorough conflict check for a partnership matter should generally extend to the individual partners themselves, given their genuine potential personal stake in partnership-level tax matters. The partnership's formal legal name alone, its industry classification code, and its years in operation are not themselves sufficient without this broader individual-partner inquiry.

44. C — C—A wage and income transcript becomes available after third-party payers have actually submitted their information returns, such as W-2s and 1099s, to the IRS for that year. It is not available immediately at year's close before any information returns are filed, and its availability does not depend on the taxpayer requesting an extension or filing their own return.

45. D — D—For a self-employed taxpayer, the analysis should also account for legitimate, necessary business expenses distinct from and in addition to the personal living expense standards. It should not consider only personal living expenses with no business expense component, only gross revenue with no expense deduction, and should not turn on the taxpayer's mere categorization preference.

46. B — B—Innocent Spouse Relief specifically requires the underlying liability to arise from a return the requesting spouse actually filed jointly with the other spouse. It does not apply to any return regardless of joint or separate filing status, does not apply to a return filed entirely separately with no joint element, and does not apply to an entirely unrelated non-return liability.

47. D — D—Proper documentation should always include specific detailed financial information genuinely demonstrating the hardship that would result if relief were denied, the actual substantive basis this particular factor requires. General subjective feelings, wedding-related materials, and opinions about the other spouse's character are not themselves the substantive financial content this documentation should capture.

48. A — A—This evaluation distinguishes between actual knowledge of the specific understatement at issue and mere general awareness that the couple had ordinary tax obligations generally. Whether any document was ever signed, whether a joint bank account was shared, and whether the spouse worked outside the home are not themselves this specific distinguishing factor.

49. A — A—A sound assessment considers whether the actual facts suggest deliberate, willful concealment, as opposed to a series of innocent, isolated errors made in good faith. The client's demeanor during one meeting, stated occupation without regard to conduct facts, and years as a client are not themselves the substantive factors this critical assessment should focus on.

50. B — B—A proper referral generally includes providing counsel with a summary of relevant facts and documents gathered, subject to applicable privilege considerations, facilitating an informed handoff. Providing no information at all, only billing history, and only a personal character opinion do not themselves constitute an adequately informative referral to new counsel.

51. C — C—Proper Kovel documentation reflects that the accountant's engagement was initiated by the attorney, not directly by the client, establishing the arrangement's necessary structural basis. It should not reflect direct client initiation with no attorney involvement, is not initiated by the IRS as an examination condition, and does not involve an unrelated third party's initiation.

52. D — D—Documentation for a disputed legal issue should emphasize applicable authority and reasoned legal analysis, as distinguished from the evidentiary emphasis appropriate for a disputed factual issue. Only witness statements with no legal analysis, only the practitioner's subjective opinion, and mere page count are not the appropriate emphasis for this specific type of dispute.

53. B — B—A sound assessment reflects this genuinely mixed strength honestly in both the overall strategy developed and the communications with the client throughout the entire representation. Overstating the legal position artificially, ignoring the factual position entirely, and avoiding honest discussion with the client all reflect poor, potentially harmful case management practices.

54. A — A—Case notes should generally avoid including speculative, unsupported personal opinions presented as though they were established facts, which can mislead later review of the file. Objective observations about actual documents, a record of questions and responses, and dates of genuine developments are all appropriate, valuable content for sound case notes.

55. C — C—A sound strategy prioritizes completing necessary factual development before an approaching deadline meaningfully restricts the taxpayer's available options going forward. Ignoring the deadline entirely, waiting until after it has passed to begin development, and focusing only on the deadline with no attention to the underlying facts are all inappropriate approaches here.

56. D — D—The preliminary assessment should be revisited when the taxpayer's financial circumstances change materially, since this can genuinely affect the available range of resolution options going forward. A mere meeting-time preference change, an in-city address change, and a shift in preferred communication method do not themselves warrant revisiting the substantive preliminary assessment.

57. B — B—Case-building for a genuinely novel legal question should include thorough research into analogous authority and reasoned extrapolation to the specific novel facts actually presented. Simply asserting personal opinion with no research, avoiding the novel question entirely, and deferring entirely to client preference with no independent analysis all fail to properly address it.

58. D — D—A sound approach reflects genuine awareness that initial impressions may reasonably change as additional facts are gathered and more fully developed over the course of representation. The initial assessment should not be treated as never subject to reconsideration, further fact-gathering is not generally unnecessary, and a client's initial account is not presumed entirely complete.

59. A — A—The genuine aim of case-building is positioning the taxpayer for the most favorable outcome reasonably achievable given the actual underlying facts and applicable law involved. It does not aim for an outcome independent of the actual facts or law, does not guarantee a specific dollar amount, and does not prioritize speed over genuine favorability.

60. C — C—A sound case-building philosophy centers on building a genuinely accurate, well-supported record that serves the taxpayer's legitimate interests throughout the entire ongoing representation. It is not about maximizing documentation volume regardless of relevance, is not about satisfying mere practitioner curiosity, and is not about delaying resolution for its own sake.

61. B — B—A default on a short-term plan leaves the taxpayer with the option to pursue a formal installment agreement or another appropriate collection alternative afterward. Default does not foreclose all remaining options entirely, does not automatically qualify the taxpayer for an offer in compromise, and does not trigger automatic criminal referral.

62. C — C—A non-streamlined agreement may generally be modified where the taxpayer's financial circumstances have materially changed in a way affecting the actual ability to pay. A bare request with no changed circumstances shown, the mere passage of one year, and a perfect on-time payment record are not themselves grounds for modification of the agreement.

63. A — A—A Doubt as to Liability offer focuses the IRS's review on whether the assessed liability is actually correct as a matter of underlying fact and applicable law. This is distinct from ability to pay, which is the focus of a Doubt as to Collectibility offer, and distinct from hardship, which is the focus of Effective Tax Administration.

64. D — D—Payments already made under a rejected periodic-payment offer are generally retained by the IRS and applied toward the underlying tax liability, not simply refunded. They are not fully refunded with no application, are not entirely forfeited without benefiting the taxpayer's balance, and this application occurs regardless of a specific taxpayer refund request.

65. A — A—A subordination request should demonstrate it will ultimately increase what the IRS can actually collect, or otherwise genuinely serve the government's overall collection interests. Mere lender preference, the lender's general reputation or size, and the taxpayer's unrelated prior loan history are not themselves the substantive basis this specific request requires.

66. B — B—A levy on an investment account generally reaches the account's actual value as of the specific moment the levy is received by the holding institution. It does not reach only the original initial deposit with no growth included, does not reach a speculative projected future value, and investment accounts are not categorically exempt from levy.

67. C — C—Where circumstances remain unchanged as the CSED approaches, the underlying debt effectively expires as the collection statute actually runs its natural course to completion. This is not an automatic conversion into a formal offer, does not permanently extend the CSED simply because CNC status remains in effect, and does not trigger reactivation with unchanged circumstances.

68. D — D—An effective CDP hearing request addresses the available collection alternatives the taxpayer genuinely wishes Appeals to consider as an alternative to the proposed levy action. A general opinion about federal taxation's fairness, the levy's specific physical location, and the officer's personal schedule are not themselves the substantive content this request should focus on.

69. C — C—TFRP document requests generally seek to establish the individual's actual check-signing authority and genuine role in determining which specific creditors of the business were actually paid. Personal social media activity, personal relationship status, and commute details are not themselves relevant to establishing the substantive responsibility this specific investigation actually targets.

70. D — D—A responsible person should always timely submit a substantive response specifically addressing the responsibility and willfulness elements the TFRP assessment actually requires establishing here. Simply ignoring the notice, passively waiting for withdrawal, and immediately admitting full responsibility without analysis are all inappropriate responses given the significant personal liability at stake.

71. A — A—A proper privilege claim should be supported by evidence the communication was made with a genuine, reasonable expectation of confidentiality at the time it actually occurred. A public setting with unrelated third parties present, later voluntary disclosure to an unrelated party, and an unrelated non-advice subject matter all undermine rather than support this specific privilege claim.

72. B — B—A partial acceptance reflects the examiner's own independent judgment about which portions of the proposed estimate are adequately credible given the supporting evidence presented. This is not itself a clerical error requiring automatic correction, is not governed by an all-or-nothing rule, and does not itself prove the taxpayer acted in bad faith.

73. A — A—A proper review verifies whether the examiner's factual findings are actually consistent with the documentation the taxpayer genuinely provided during the entire examination process. Whether findings are typed versus handwritten, the RAR's specific issuance date, and the total exhibit count are all irrelevant to this genuine substantive factual verification needed.

74. B — B—This selective contest should be reflected in a written protest or Small Case Request clearly specifying which specific issues are actually being contested through Appeals. A mere verbal call with no written follow-up, leaving the scope entirely to Appeals' own determination, and providing no specific guidance at all are all inadequate approaches here.

75. C — C—The proposed penalty component should be reviewed separately from the underlying tax adjustment, since penalty relief such as reasonable cause may be available even where the tax adjustment is accurate. The tax and penalty components are not an inseparable single unit, and the taxpayer's name, address, and the specific tax year are unrelated to this particular distinction.

76. D — D—A petition with an inadvertent omission generally may be amended, subject to the Tax Court's own applicable rules and procedures governing such amendments to a filed petition. It is not incapable of correction once filed, is not automatically dismissed entirely for this specific omission, and does not require refiling as an entirely disconnected new petition.

77. A — A—An effective presentation for a mixed question addresses both the specific factual evidence and the applicable legal authority supporting the taxpayer's overall position on the issue. Appeals is not concerned exclusively with facts or exclusively with law, and relying on neither factual evidence nor legal authority would be an inadequate presentation.

78. C — C—A taxpayer should accept a settlement offer only after fully understanding the specific terms and genuine practical implications the settlement carries going forward. Simply being told an offer exists with no explanation, knowing only the total dollar amount, and knowing only the expiration date do not themselves constitute this necessary understanding.

79. B — B—This election should be discussed beforehand because it forecloses future appellate review, a significant consequence the taxpayer should fully understand before making this specific choice. It does not automatically increase the tax ultimately owed, does not require personal appearance without a representative, and is not irreversible before an actual decision is reached.

80. D — D—Organizing by individual issue allows the Appeals Officer to efficiently evaluate the relative merits of each specific contested issue independently, rather than as an undifferentiated whole. This organization does not merely increase length and complexity for its own sake, is not a purely cosmetic requirement, and does not confuse the Appeals Officer through inappropriate fragmentation.

81. D — D—A Form 870-AD settlement results in the settled amount being assessed consistent with the closing agreement's specific terms, giving effect to the actual negotiated resolution reached. The assessment statute is not permanently eliminated entirely, does not automatically extend by ten additional years, and remains relevant even after a settlement has been reached.

82. A — A—This decision should weigh whether a neutral, trained mediator could genuinely help bridge the specific remaining factual disagreement that the Appeals conference alone did not resolve. The mediator's personal interests, the specific scheduling day, and the representative's prior general mediation experience are not themselves the substantive factors this decision should turn on.

83. B — B—A full concession on a specific issue generally reflects a hazards-of-litigation assessment that the government's underlying position on that particular issue was genuinely weak. It is not the product of any automatic universal concession rule, is not itself a clerical documentation error, and does not itself prove the original examiner acted in bad faith.

84. C — C—Even a favorable settlement still requires the taxpayer's own subsequent compliance with the settlement's specific terms, an ongoing obligation the settlement does not eliminate. A favorable settlement does not eliminate all further taxpayer obligations, does not guarantee freedom from all future scrutiny, and does not automatically extend to unrelated future years.

85. C — C—A preparer should generally understand that software output is only as accurate as the underlying data actually entered, never eliminating the need for independent verification. Commercially available products are not functionally identical, software output is not legally binding regardless of data errors, and reviewing original source documents remains genuinely necessary.

86. B — A—This illustrates the genuine value of proactive internal quality control processes that catch errors independent of whether a client happens to prompt review. This is not statistically rare or unlikely to recur, does not itself call the preparer's overall competence into question, and squarely falls within the preparer's actual professional responsibilities.

87. D — D—The list alternative should include enough detail to allow identification of the specific taxpayer and tax year for each individual return actually prepared by the preparer. It is not intended to calculate total gross revenue, is not intended to track continuing education hours, and is not intended to summarize marketing expenditures generally.

88. A — A—Physical security measures should be evaluated based on the genuine sensitivity of the information actually stored and the real risks reasonably present given the specific circumstances. Choosing the least expensive option regardless of adequacy, simply matching a specific competitor, and having no evaluation criteria at all all fail to reflect genuinely reasonable security.

89. C — C—The application generally requires certifying the actual accuracy of the information provided and a genuine understanding of the applicable Provider responsibilities being actually undertaken. It does not require certifying a specific minimum revenue figure, a specific intended duration in the business, or a personal relationship with a currently practicing EA.

90. B — B—Discontinuing an unused Provider role should generally be reflected through an appropriate update to the firm's actual e-file Application status. Roles are not automatically removed with no update needed, simply ceasing performance without a formal status update is inadequate, and the firm should not simply wait for the IRS to notice independently.

91. D — D—This status should generally be reassessed at the start of each new calendar year, based on that particular year's reasonably expected covered-return volume. It is not assessed only once at career's start with no further reassessment, is not reassessed only upon a volume decrease, and does not depend on a specific client requesting confirmation.

92. D — D—Form 8948 should be consistent with the specific exception actually claimed for that return and any supporting documentation the preparer has retained in the file. Using a generic identical explanation regardless of actual reason, the preparer's impression of client satisfaction, and the preparer's own general filing preference are all inappropriate approaches here.

93. A — A—The request should be submitted with sufficient time to allow the IRS to review and respond before the preparer would otherwise need to comply with the mandate. It is not intended to allow avoiding e-filing entirely and permanently, does not involve a client vote on the request, and should not be delayed until the season's final day.

94. C — C—The Self-Select PIN method requires providing the taxpayer's prior-year AGI or prior-year Self-Select PIN as the specific identity verification element used. It does not require physically presenting a Social Security card in person, does not require a notarized identity affidavit, and does not require a recent utility bill showing the current address.

95. B — B—The Form 8879 retention obligation exists to support authorization verification regardless of whether the underlying return produced additional tax or a refund. It does not end immediately upon the taxpayer's subsequent death, does not end upon the taxpayer relocating internationally, and does not end simply because the preparer's own firm later closes.

96. A — A—Form 8453 use should be limited to the specific documents the current official instructions actually identify as requiring this particular separate transmittal method for that year. It should not be based on the preparer's own general belief of relevance, the client's own general request, or a document's mere physical page length.

97. A — A—A proper correction addresses the specific error the rejection notice actually identified, rather than unrelated aspects of the return having no connection to that identified error. Addressing every aspect of the return regardless of connection, only the most interesting aspects, and only the largest dollar amounts are all inappropriately unfocused approaches.

98. C — C—Familiarity with common rejection codes supports more efficient diagnosis and correction of the specific underlying issue actually causing a given particular rejection. This is not without practical benefit as purely random information, does not require memorizing every code without ever consulting references, and different codes do reflect different underlying causes.

99. B — B—A genuinely effective compliance culture is reinforced through consistent ongoing training, clear internal procedures, and authentic leadership commitment demonstrated consistently throughout the entire firm. A single one-time training session, relying entirely on individual initiative with no structure, and punitive measures alone without support all fail to build this genuine culture.

100. D — D—This overall commitment reflects the recognition that electronic filing represents a genuine privilege carrying corresponding responsibilities to the broader tax system throughout the year. This is not without meaningful responsibility beyond mere data transmission, is not solely for the Provider's own narrow benefit, and applies year-round, not only near deadlines.