PRACTICE EXAM 11: 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. An individual seeking Enrolled Agent status must generally demonstrate suitability that includes:

A. A tax compliance history and background consistent with public trust in tax administration
B. A minimum personal net worth exceeding a specific dollar threshold set by the IRS
C. Membership in a specific professional trade association recognized by the IRS
D. A minimum number of years of prior work experience in any unrelated field

2. A practitioner's enrollment card, once issued, generally must be:

A. Discarded immediately upon issuance, since the underlying enrollment record is treated as sufficient alone
B. Kept current with any renewal, since it reflects the practitioner's active status at a given time
C. Physically displayed at every single client meeting the practitioner conducts
D. Renewed annually regardless of the practitioner's actual three-year enrollment cycle

3. A practitioner's failure to timely complete continuing education requirements before a renewal deadline generally results in a status that:

A. Cannot ever be corrected under any circumstances once the specific deadline has passed
B. Automatically converts into a formal, permanent disbarment without any further process
C. Has no practical consequence whatsoever, since continuing education is treated as optional

D. Can be corrected by completing the outstanding hours and properly reactivating the enrollment

4. OPR's disciplinary jurisdiction over a practitioner generally continues even if the practitioner:

A. Simply changes their mailing address on file with the IRS during the investigation
B. Retains outside legal counsel to represent them during the disciplinary process
C. Allows their enrollment to lapse into inactive status during the pendency of an investigation
D. Requests a brief extension of time to respond to OPR's formal complaint

5. A practitioner's due diligence obligation regarding a client's claimed education credit generally requires:

A. Independent verification directly with the specific educational institution named on the return
B. A reasonable inquiry into whether the claimed expenses and eligibility requirements are actually satisfied
C. Automatic disallowance of any education credit claim exceeding a specific fixed dollar amount
D. No inquiry whatsoever, since education credit claims are presumed accurate automatically

6. A practitioner's advice regarding a return position that has substantial authority is generally permitted to be:

A. Taken only with mandatory disclosure regardless of the actual authority level involved
B. Taken only if the client separately obtains a formal Private Letter Ruling in advance
C. Taken only if the position happens to result in a smaller overall tax liability
D. Taken without disclosure on the return, since substantial authority alone satisfies Section 10.34

7. A contingent fee arrangement for representation before a state taxing authority, as opposed to the IRS, is generally:

A. Governed by the applicable state's own rules rather than Circular 230's federal fee provisions
B. Governed entirely and exclusively by Circular 230's federal fee provisions in every respect

C. Prohibited entirely regardless of what the applicable state's own rules actually provide
D. Permitted only if the same matter also separately involves an actual federal tax issue

8. A practitioner's fee arrangement that includes a nonrefundable retainer is generally evaluated for reasonableness based on:

A. Whether the retainer happens to be paid in a single lump sum rather than in installments
B. Whether the client happened to negotiate the specific retainer amount before signing
C. Whether the retainer amount reasonably reflects the value of services genuinely expected to be rendered
D. Whether the retainer is specifically labeled as "nonrefundable" in the engagement letter

9. A practitioner's advertisement stating the firm "guarantees results" for IRS matters is generally:

A. Permitted, provided the practitioner genuinely and sincerely believes the guarantee is achievable
B. Prohibited as misleading, since no practitioner can honestly guarantee a specific outcome
C. Permitted only for matters involving a dispute below a specific dollar threshold
D. Permitted so long as a small disclaimer appears somewhere within the advertisement

10. A practitioner's conflict of interest analysis for representing both a lender and a borrower in a related tax matter should generally consider:

A. Only the total dollar amount of the underlying loan between the two parties
B. Only which party happens to be the practitioner's own longer-standing client
C. Only the specific interest rate charged on the underlying loan agreement
D. Whether the lender's and borrower's specific interests in the matter genuinely align or diverge

11. A practitioner's written consent for a conflict should generally be obtained from a client who is a minor through:

A. The minor directly, with no involvement of any parent or guardian required at all

B. A court-appointed attorney regardless of whether the minor actually has a parent or guardian available

C. The minor's legally authorized parent or guardian, consistent with applicable legal capacity requirements

D. No consent process at all, since minors are treated as entirely exempt from conflict rules

12. A firm's Section 10.36 procedures should generally include a mechanism for staff to report a suspected compliance concern:

A. Without fear of retaliation, supporting a genuinely open internal reporting culture

B. Only anonymously, with the firm's management never learning the reporting staff member's identity

C. Only in writing, with no verbal reporting mechanism ever permitted under any circumstances

D. Only during a scheduled annual firm-wide meeting held once per year

13. A practitioner's Section 10.51(a)(4) violation for false statements may be established through evidence of:

A. A single, entirely isolated statement later found to be technically imprecise in a minor respect

B. A statement made in good faith based on information the client had provided

C. A statement the practitioner promptly and voluntarily corrected upon discovering the error

D. A pattern of statements the practitioner knew or should have known were materially inaccurate

14. A practitioner's obligation regarding accuracy of representations to the IRS should generally be understood to apply throughout:

A. Only the specific initial meeting with the client at the very outset of the engagement

B. Only a formally scheduled examination interview specifically, and no other stage

C. The full lifecycle of a matter, from initial contact through final resolution

D. Only the period after a matter has already been formally referred to Appeals

15. A practitioner's written tax opinion that reasonably relies on facts the client has represented, absent any red flags, is generally:

A. A per se violation regardless of whether any red flags were actually present in the situation
B. Consistent with the good-faith reliance standard Circular 230 permits for factual representations
C. Irrelevant to Circular 230, since factual reliance is treated as entirely outside its scope
D. Permitted only if the practitioner separately verifies every single fact independently regardless of red flags

16. A practitioner's competence obligation regarding a matter involving international tax issues, an area outside the practitioner's usual practice, generally requires:

A. Either developing sufficient competence through research or associating with a practitioner who has it
B. Automatic acceptance of the matter regardless of the practitioner's actual competence level
C. Automatic decline of the matter with no possibility of developing the needed competence
D. Reliance exclusively on the client's own understanding of the applicable international tax rules

17. A practitioner's advertising that includes client testimonials should generally ensure the testimonials are:

A. Written entirely by the practitioner rather than by any actual client
B. Genuine, from actual clients, and not presented in a way that implies a guaranteed similar outcome
C. Based on hypothetical, illustrative scenarios rather than genuine actual client experiences
D. Selected exclusively from the single most extraordinarily favorable case the firm has ever handled

18. A practitioner's Section 10.20 obligation regarding record submission generally does NOT require:

A. Submitting records the practitioner actually possesses that were lawfully and properly requested
B. Cooperating in good faith with a legitimate, properly scoped IRS inquiry
C. Waiving any otherwise applicable privilege the practitioner or client may properly assert
D. Responding within a reasonable timeframe to an authorized request

19. A practitioner's failure to identify a client's eligibility for innocent spouse relief, where the facts clearly support it, may reflect:

A. An entirely acceptable practice, since practitioners bear no obligation to identify every possible relief category

B. A matter completely outside any Circular 230 concern whatsoever regarding the practitioner's conduct

C. Relevant only if the client can affirmatively prove the practitioner deliberately withheld this information

D. A potential shortfall in the competence and diligence Circular 230 expects of practitioners

20. A practitioner's conflict of interest evaluation should generally be documented even where the practitioner ultimately determines no genuine conflict exists because:

A. The documented evaluation itself provides a defensible record of the analysis actually performed

B. IRS regulations specifically require documenting every possible negative conflict determination in detail

C. Undocumented conflict evaluations automatically constitute a Circular 230 violation regardless of the outcome

D. Clients specifically expect to receive a copy of every conflict evaluation performed

21. A practitioner's disreputable conduct violation involving willful failure to file the practitioner's own returns is generally evaluated based on:

A. Any single late filing whatsoever, regardless of whether it was willful or genuinely inadvertent

B. Only whether the practitioner's own tax liability for that specific year happened to be substantial

C. Only whether a specific client happened to discover the practitioner's own personal filing history

D. A pattern of willful noncompliance, not a single isolated, genuinely inadvertent late filing

22. A practitioner's obligation to maintain confidentiality of client information is generally subject to an exception where:

A. The client provides informed consent to a specific disclosure
B. The practitioner personally believes disclosure would be professionally convenient
C. A competing firm requests the information for its own general marketing research purposes
D. The information would simply be interesting to share with unrelated colleagues

23. A practitioner's decision to withdraw from representation due to an irreconcilable conflict with the client regarding strategy should generally be handled by:

A. Withdrawing immediately with no notice whatsoever, regardless of any resulting harm to the client
B. Providing reasonable notice and facilitating an orderly transition to new representation where feasible
C. Continuing the representation despite the irreconcilable conflict to avoid any withdrawal at all
D. Reporting the client directly to the IRS as the sole basis for the practitioner's withdrawal

24. A practitioner's obligation regarding the accuracy of a claim for refund is generally the same as the obligation applicable to:

A. Only a matter already pending in active Tax Court litigation, and no other context
B. Only a matter involving a business entity rather than an individual taxpayer
C. An original return position, since both are subject to the same underlying accuracy standards
D. No comparable standard at all, since refund claims are treated as entirely unregulated

25. A practitioner's suspension sanction generally applies uniformly to:

A. Only matters involving individual taxpayers, never matters involving business entities
B. Only matters pending before a specific single IRS office the practitioner regularly deals with
C. Only matters the practitioner personally considers significant enough to warrant the restriction
D. All matters and all IRS offices, not selectively to only certain types of matters

26. A practitioner's monetary penalty under Section 10.50 generally may be imposed even where the practitioner:

A. Has already been fully reimbursed by malpractice insurance for any resulting client harm
B. Has already voluntarily corrected the underlying conduct that gave rise to the violation
C. Genuinely believed, in complete good faith, that the underlying conduct was entirely proper
D. Has never previously been the subject of any other Circular 230 complaint whatsoever

27. A practitioner's reinstatement following disbarment generally involves OPR evaluating:

A. Whether granting reinstatement would be consistent with protecting the public interest
B. Only whether the practitioner has simply waited out the applicable minimum waiting period
C. Only whether the practitioner has paid every previously assessed monetary penalty in full
D. Only whether the practitioner has obtained a specific additional professional certification

28. A practitioner's obligation to disclose a conflict extends to a conflict involving the practitioner's own close personal relationship with:

A. Only a party who happens to share the practitioner's exact same last name
B. Only a party who lives within the practitioner's own specific neighborhood
C. A party whose interests in the matter are adverse to the client being represented
D. Only a party who attended the same educational institution as the practitioner

29. A practitioner's overall approach to identifying conflicts before accepting a new engagement should generally include:

A. Relying exclusively on the practitioner's own general memory of past clients with no systematic process
B. Asking the prospective client specific questions designed to surface potential adverse relationships
C. Waiting until after the engagement has already begun to conduct any conflict inquiry at all
D. Assuming no conflict exists unless the prospective client happens to volunteer the information

30. A practitioner's overall obligations under Circular 230 exist within a regulatory structure that Congress designed to:

A. Balance taxpayer access to competent representation against the need for practitioner accountability

B. Eliminate practitioner representation entirely in favor of taxpayers representing themselves exclusively

C. Maximize IRS revenue collection without regard to any taxpayer representation rights

D. Restrict tax representation exclusively to licensed attorneys, excluding all other credential types

31. A practitioner's professional obligations under Circular 230 are ultimately grounded in the broader principle that:

A. Tax administration functions equally well regardless of practitioner conduct or competence levels

B. Practitioner regulation exists solely to generate licensing revenue for the federal government

C. Effective tax administration depends on practitioners meeting defined standards of competence and integrity

D. Individual taxpayers bear no benefit whatsoever from having access to qualified professional representation

32. A taxpayer's power of attorney generally must be signed by the taxpayer using:

A. A signature stamp the taxpayer's representative keeps on hand for administrative convenience

B. An electronic signature under no circumstances whatsoever, since only handwritten signatures are ever accepted

C. A signature provided by any family member on the taxpayer's behalf without further authorization

D. The taxpayer's own actual, genuine signature, consistent with applicable identity verification standards

33. A representative's Form 2848 authority is generally construed:

A. Broadly, extending automatically to any matter the representative believes is related

B. Identically regardless of what the taxpayer actually specified on the form itself

C. Narrowly, limited to what the form actually specifies rather than broadly implied

D. Based entirely on the representative's own subjective good-faith interpretation of intent

34. A taxpayer's power of attorney generally does not authorize the representative to:

A. Discuss the specifically covered matters with the assigned IRS employee
B. Substitute a different representative without the taxpayer's specific separate authorization for that substitution
C. Receive copies of notices regarding the specifically covered matters
D. Advocate the taxpayer's position at a scheduled examination interview

35. A taxpayer's assessment statute of limitations generally begins running anew if the taxpayer:

A. Files an original return for a year no return had previously been filed
B. Simply changes tax return preparers between one year and the next
C. Moves to a different residential address within the same state
D. Updates their name on file with the IRS following a legal name change

36. A taxpayer's Form 872 extension request initiated by the IRS, rather than the taxpayer, generally still requires:

A. No taxpayer involvement whatsoever, since the IRS may unilaterally extend the statute at will
B. A separate federal court order specifically compelling the taxpayer's agreement
C. Payment of a specific administrative fee by the taxpayer to process the extension
D. The taxpayer's voluntary agreement and signature, since the extension is not unilaterally imposed

37. A taxpayer's reliance on informal guidance later found to be erroneous may still support reasonable cause where the taxpayer can show:

A. The guidance was provided by a specific IRS employee whose name the taxpayer can recall
B. The taxpayer independently verified the guidance's accuracy with a completely separate source
C. A genuine good-faith belief in the guidance's accuracy at the time of the actual reliance
D. The guidance happened to result in a lower overall tax liability for that specific year

38. A taxpayer's position supported by a Technical Advice Memorandum issued in an unrelated taxpayer's case generally provides:

A. Some persuasive value but not binding precedent for the taxpayer's own separate matter
B. Fully binding precedent identical to a published Revenue Ruling on the same topic
C. No value whatsoever, since TAMs are treated as entirely confidential and never useful
D. Binding weight specifically superior to the Internal Revenue Code provision it interprets

39. A taxpayer's decision to disclose a position via Form 8275-R, rather than the standard Form 8275, is generally appropriate where:

A. The disclosed position is simply more complex than an ordinary disclosed position
B. The disclosed position is contrary to a specific Treasury Regulation
C. The disclosed position involves a business entity rather than an individual taxpayer
D. The disclosed position happens to result in a larger overall tax liability

40. A taxpayer's evasion versus avoidance distinction ultimately turns on whether the taxpayer:

A. Ultimately paid a smaller total amount of tax than would otherwise have been owed
B. Consulted with a qualified tax professional before taking the position at issue
C. Took a position that a court later determined was ultimately incorrect
D. Engaged in deception or concealment directed at the government regarding known facts

41. The Taxpayer Advocate Service's role in resolving a systemic issue affecting multiple taxpayers is distinguished from its individual case assistance role by:

A. Requiring a formal Tax Court petition to be filed before the systemic issue can be addressed
B. Applying only to issues the National Taxpayer Advocate personally happens to encounter
C. Being available exclusively to taxpayers meeting a specific low-income eligibility threshold
D. Its focus on broader IRS processes and policies rather than one specific taxpayer's particular case

42. A Taxpayer Assistance Order's binding effect on the IRS function it addresses generally continues until:

A. Modified or rescinded by the National Taxpayer Advocate, a delegate, or the IRS Commissioner
B. The specific IRS employee originally involved in the underlying matter simply retires
C. Exactly ninety days have elapsed from the date the TAO was originally issued
D. The taxpayer's representative formally withdraws from representing the taxpayer

43. An Enrolled Agent's representation authority is distinguished from an unenrolled preparer's limited representation rights primarily by:

A. The EA's requirement to hold a separate state professional license beyond the federal credential
B. The EA's obligation to charge a specifically higher minimum fee than an unenrolled preparer
C. The EA's ability to represent any taxpayer on any matter, not just returns the EA personally prepared
D. The EA's requirement to complete a formal law degree before obtaining enrollment

44. A practitioner's preliminary assessment of a new matter involving a nonresident taxpayer should generally include confirming:

A. Only the taxpayer's personal travel history over the past several years
B. The specific residency and filing obligations applicable to the taxpayer's particular situation
C. Only the specific currency the taxpayer's foreign bank account happens to be denominated in
D. Only the taxpayer's personal opinion regarding U.S. tax policy generally

45. A conflict check for a matter involving a decedent's estate should generally consider whether the practitioner has:

A. Ever personally attended the decedent's funeral service
B. Ever met the decedent in person before the decedent's death
C. Previously represented any party whose interests might be adverse to the estate or its beneficiaries
D. Any personal, subjective opinion regarding how the decedent's estate should ultimately be distributed

46. A taxpayer's return transcript for a specific year is generally available:

A. Before the taxpayer has actually filed any return for that specific year
B. Only for tax years within the most recent three-year period, with no earlier years ever available
C. Only if the taxpayer's return for that year resulted in an actual refund
D. After the taxpayer's return for that year has actually been filed and processed by the IRS

47. A practitioner's ability-to-pay analysis for a taxpayer with irregular, seasonal income should generally account for:

A. An averaged or annualized income figure reasonably reflecting the taxpayer's actual overall earning pattern
B. Only the taxpayer's income during the single highest-earning month of the year
C. Only the taxpayer's income during the single lowest-earning month of the year
D. A flat assumption of zero income throughout the entire year regardless of actual earnings

48. A requesting spouse's traditional relief claim under Section 6015(b) should generally be evaluated alongside consideration of whether holding the spouse liable would be:

A. Simply less convenient for the requesting spouse's own personal financial planning
B. Inequitable given all the facts and circumstances actually surrounding the specific case
C. Contrary to the requesting spouse's own stated personal preference regarding the outcome
D. Different from what the requesting spouse's own family members might otherwise expect

49. A practitioner's documentation for a requesting spouse's Separation of Liability Relief claim should generally address whether:

A. The requesting spouse ever attended any joint tax preparation appointment with the other spouse
B. The requesting spouse had actual knowledge of the item causing the understatement
C. The requesting spouse and the other spouse shared the same primary residence at any point
D. The requesting spouse's own personal income exceeded the other spouse's income in any given year

50. A practitioner's early recognition of potential criminal exposure in a matter should generally influence:

A. Only the practitioner's own personal choice of office location for future client meetings
B. Only the practitioner's own personal preference for a specific tax preparation software brand
C. The specific advice given regarding voluntary disclosures and communications with the IRS
D. Only the practitioner's own scheduling availability for the coming weeks

51. A practitioner who identifies potential criminal exposure but continues advising the client without referring to criminal counsel risks:

A. No meaningful risk whatsoever, since practitioners are presumed fully competent in every legal area
B. Only a risk to the practitioner's own personal fee collection for the matter
C. Only a minor risk relevant solely to the practitioner's own malpractice insurance premium
D. Providing inadequate advice on matters genuinely outside the practitioner's own defined competence

52. A Kovel arrangement's protective value diminishes where the accountant's work is generally:

A. Unrelated to assisting the attorney's actual legal advice to the client
B. Specifically directed and closely supervised by the attorney throughout the engagement
C. Performed exclusively for the purpose of assisting the attorney's legal analysis
D. Kept confidential and shared only with the attorney and the client involved

53. A practitioner's case-building documentation for a matter with both strong and weak supporting arguments should generally:

A. Present every single argument as equally strong regardless of each argument's actual underlying merit
B. Honestly reflect the relative strength of each argument to support sound strategic decision-making
C. Omit any mention of the weaker arguments entirely from the documentation
D. Focus exclusively on the single strongest argument identified, ignoring all others entirely

54. A practitioner's overall case assessment should generally be updated to reflect new IRS guidance issued after the initial assessment was completed because:

A. IRS regulations specifically mandate updating every case file within twenty-four hours of any new guidance

B. Failing to update automatically constitutes a Circular 230 violation regardless of the guidance's actual relevance

C. New guidance can materially affect the strength or viability of the taxpayer's existing position

D. Clients specifically expect to receive a formal written update memo for every single new guidance release

55. A practitioner's overall preliminary case assessment for a matter involving a closely held business should generally include reviewing:

A. The business's ownership structure and its potential implications for the specific tax matter

B. Only the business's specific choice of office furniture and interior decorating

C. Only the business's general reputation within the local community

D. Only the business's specific choice of company name or branding

56. A practitioner's case notes documenting a telephone conversation with the IRS should generally capture:

A. Only the total duration of the call in minutes, with no further substantive detail recorded

B. Only the practitioner's own general impression of the IRS employee's tone during the call

C. Only whether the call was ultimately deemed helpful or unhelpful by the practitioner

D. The date, the IRS employee's name and identification number if provided, and the substance discussed

57. A practitioner's overall case-building process for a matter involving a disputed valuation should generally include:

A. Simply asserting the taxpayer's own preferred valuation figure with no supporting analysis provided

B. Relying exclusively on the examiner's own valuation figure without any independent review conducted

C. Obtaining or reviewing a credible, well-supported valuation analysis relevant to the disputed issue

D. Avoiding the valuation dispute entirely and focusing only on unrelated, more comfortable issues instead

58. A practitioner's overall preliminary case assessment should generally conclude with a documented understanding of:

A. The key facts, applicable law, and a proposed initial strategy tailored to the specific matter

B. Only the practitioner's own personal fee arrangement for handling the specific matter

C. Only the specific software the practitioner intends to use going forward in the matter

D. Only the client's general overall satisfaction with the practitioner's services to date

59. A practitioner's case-building work product for a matter ultimately proceeding to litigation should generally be organized to:

A. Satisfy only the practitioner's own personal filing preferences with no consideration of downstream use

B. Support an efficient, well-documented presentation of the case to litigation counsel or the court

C. Maximize the sheer physical volume of paper generated regardless of its actual eventual usefulness

D. Minimize the total time invested in the matter regardless of the resulting quality of the work product

60. A practitioner's overall case-building philosophy should generally balance thoroughness against:

A. Only the practitioner's own personal preference for exhaustive documentation regardless of any cost

B. Only the client's stated preference for the fastest possible resolution regardless of resulting quality

C. Only the IRS's own internal administrative processing preferences and convenience considerations

D. The practical time and cost constraints reasonably applicable to the specific matter at hand

61. A taxpayer's short-term payment plan proposal should generally be paired with a realistic assessment of:

A. Only the taxpayer's personal preference for the specific word "short-term" in the plan's description
B. Only the taxpayer's total combined assets regardless of their actual liquidity or availability
C. The taxpayer's actual projected cash flow over the specific proposed short-term period
D. Only the taxpayer's overall credit score as reported by a private credit bureau

62. A taxpayer's guaranteed installment agreement request should generally be evaluated against the specific $10,000 threshold based on:

A. The combined total of tax, penalties, and interest actually owed, not the tax liability alone
B. Only the underlying tax liability itself, excluding any accrued penalties or interest
C. Only the accrued penalties, excluding both the underlying tax and any accrued interest
D. Only the accrued interest, excluding both the underlying tax and any assessed penalties

63. A taxpayer's offer in compromise for a jointly and severally liable married couple generally requires:

A. Only the higher-earning spouse's financial information, with the other spouse entirely excluded
B. Only the lower-earning spouse's financial information, with the other spouse entirely excluded
C. No financial information from either spouse, since the offer amount is fixed by statute
D. Both spouses' financial information, since the RCP analysis addresses the couple's combined ability to pay

64. A taxpayer's offer in compromise application fee waiver based on Low-Income Certification generally depends on:

A. The taxpayer's own personal, subjective assessment of financial hardship, with no objective standard applied
B. The taxpayer's income falling at or below a specific percentage of the federal poverty guidelines
C. The taxpayer's total combined net worth, regardless of the taxpayer's current actual income level
D. The taxpayer's specific occupation, regardless of the taxpayer's actual current income level

65. A lien priority analysis between a federal tax lien and a mechanic's lien generally depends on:

A. Which lienholder happens to have the larger overall total claim amount at stake
B. The specific timing and perfection requirements applicable under the relevant federal and state priority rules
C. Which lienholder is a private individual versus a licensed business entity
D. The taxpayer's own personal preference regarding which lienholder should be paid first

66. A taxpayer's levy exemption for necessary clothing and household effects generally applies:

A. Without any dollar limit whatsoever, exempting all clothing and household effects regardless of value
B. Only to items the taxpayer purchased within the calendar year immediately preceding the levy
C. Only to items the taxpayer can specifically prove were purchased using after-tax income
D. Up to a specific dollar value threshold, beyond which the excess may still be subject to levy

67. A taxpayer's Currently Not Collectible status determination generally requires the IRS to document:

A. The specific financial analysis supporting the conclusion the taxpayer cannot currently pay
B. Only the taxpayer's own personal opinion regarding the fairness of the underlying tax assessment
C. Only the total number of years the taxpayer has been a taxpayer generally
D. Only the specific revenue officer's own subjective impression of the taxpayer's overall credibility

68. A taxpayer's CDP hearing, once properly and timely requested, generally suspends:

A. The underlying assessment itself, effectively erasing the taxpayer's liability entirely
B. The taxpayer's obligation to file any future required returns during the pendency of the hearing
C. The applicable levy or collection action, pending the outcome of the requested hearing
D. Nothing at all, since a CDP hearing request has no practical effect on ongoing collection

69. A TFRP assessment generally cannot be imposed against an individual who:

A. Simply disliked the business's overall financial management approach
B. Genuinely lacked both the responsibility and the willfulness elements the statute requires
C. Was employed by the business for a relatively short period of time
D. Held a relatively junior job title within the overall organizational structure

70. A practitioner representing a TFRP-assessed individual should generally gather evidence regarding:

A. The individual's actual role in the business's financial decision-making at the relevant time
B. Only the individual's personal, unrelated hobbies and interests outside of work
C. Only the individual's specific educational background and academic degrees held
D. Only the individual's personal relationships with other unrelated employees at the business

71. A practitioner's Section 7525 privilege claim generally does NOT protect communications made for the purpose of:

A. Obtaining advice regarding a proposed business transaction's tax implications
B. Obtaining advice regarding the tax treatment of a specific investment
C. Obtaining advice regarding an available tax election's potential benefits
D. Preparing a tax return, as distinguished from providing separate tax advice

72. A taxpayer's Cohan estimate is least likely to be accepted where the taxpayer offers:

A. Credible secondary evidence such as bank records supporting the general nature of the expense
B. A reasonable explanation for why the primary documentation was genuinely unavailable
C. No credible basis whatsoever for the specific estimated amount, beyond a bare assertion
D. Testimony from a credible witness corroborating the expense actually occurred

73. A practitioner's review of an RAR's proposed penalty should generally confirm whether:

A. The penalty amount happens to be a round number rather than an amount with cents included
B. The specific penalty is legally applicable given the actual facts and applicable law of the case

C. The penalty was calculated using a calculator rather than performed manually by hand
D. The penalty section of the RAR happens to appear before the tax adjustment section

74. A taxpayer's decision to request an extension of time to respond to a 30-day letter should generally be based on:

A. A general, unspecified desire to simply delay the underlying matter for no particular reason
B. The taxpayer's own personal preference for a specific extension length regardless of actual need
C. A genuine, specific need for additional time to gather documentation or complete analysis
D. The specific calendar month in which the original 30-day letter happened to be issued

75. A CP-2000 notice's identification of a discrepancy should generally prompt the practitioner to first verify:

A. Only whether the notice was printed using black ink rather than a different color
B. Only whether the notice includes the IRS's official seal prominently displayed
C. Only whether the notice arrived via standard first-class mail delivery
D. Whether the discrepancy actually reflects a genuine reporting error or a legitimate item already properly reported

76. A taxpayer's Tax Court petition should generally be prepared with an awareness that the petition:

A. Establishes the specific issues the Tax Court will have jurisdiction to actually consider
B. Has no meaningful bearing whatsoever on which specific issues the Tax Court may later consider
C. Automatically includes every conceivable issue regardless of what is actually specifically pled
D. Can be freely and substantially rewritten at any later point with no restriction whatsoever

77. A taxpayer's Appeals conference should generally be prepared for with an understanding that the Appeals Officer:

A. Will independently evaluate the case's merits rather than simply defer to the examiner's original position

B. Is required by internal policy to always side with whichever party requests the conference

C. Has no genuine authority to settle the case and must forward every matter to litigation

D. Is prohibited from considering any new evidence the taxpayer did not previously present to the examiner

78. A taxpayer's decision regarding whether to accept an Appeals settlement offer or proceed toward Tax Court should generally reflect a genuine comparison of:

A. Only the specific day of the week the settlement offer happens to be presented

B. The settlement's certainty against the potential outcome, cost, and risk of continued litigation

C. Only the Appeals Officer's own personal communication style during the conference

D. Only the taxpayer's representative's personal comfort level with litigation generally

79. A taxpayer's small tax case election should generally be avoided where the taxpayer's matter involves:

A. A disputed amount that comfortably falls well under the applicable dollar threshold

B. A taxpayer's clear preference for the shortest, most efficient possible proceeding

C. A taxpayer's representative who has handled numerous small tax cases previously

D. A genuinely novel legal question where preserving appellate review would carry meaningful value

80. A taxpayer's formal written protest's request for specific relief should generally be:

A. Left entirely vague and unspecified, allowing Appeals complete discretion to determine any outcome

B. Limited exclusively to a demand for complete, total dismissal of every single proposed adjustment

C. Clearly and specifically stated, identifying the precise resolution the taxpayer is actually seeking

D. Omitted entirely from the protest, since Appeals is presumed to already know what relief is sought

81. A taxpayer's Appeals settlement resolving a penalty dispute should generally be documented to specify:

A. Only the Appeals Officer's own personal preference regarding penalties generally as a policy matter
B. Whether the specific penalty is being abated, reduced, or sustained as part of the settlement
C. Only the specific building floor where the Appeals conference physically took place
D. Only the taxpayer's general overall satisfaction with how the conference was ultimately conducted

82. A taxpayer's Post-Appeals Mediation request should generally be evaluated against whether the remaining disputed issue is genuinely:

A. The specific issue the taxpayer personally finds most emotionally frustrating to deal with
B. An issue the taxpayer's representative has never personally encountered in any prior matter
C. An issue involving a specific dollar amount below an arbitrary, unofficial threshold
D. Amenable to a negotiated resolution rather than requiring a definitive legal ruling

83. A taxpayer's Appeals conference outcome should generally be evaluated by the practitioner against the originally identified:

A. Strength of the taxpayer's position and the realistic range of outcomes anticipated at the outset
B. Only the specific outfit the taxpayer happened to wear to the Appeals conference itself
C. Only the total number of pages included in the taxpayer's submitted protest document
D. Only the specific time of day the Appeals conference happened to be scheduled for

84. A practitioner's overall goal in preparing for an Appeals conference should generally include:

A. Assuming the Appeals Officer will ask no questions whatsoever and require no preparation at all
B. Preparing responses only to questions the taxpayer's representative personally finds interesting
C. Anticipating the Appeals Officer's likely questions and preparing well-supported responses in advance
D. Preparing exclusively for questions about matters entirely unrelated to the actual disputed issues

85. A preparer's confidence in a software-generated result should generally be tempered by an awareness that:

A. The software cannot independently verify whether the entered data itself is accurate or complete
B. All software products carry an identical, universally known error rate regardless of the specific product
C. Software calculations are legally presumed correct by the IRS regardless of any underlying data errors
D. Using software eliminates any need for the preparer's own independent professional judgment entirely

86. A preparer's discovery of a duplicate entry that was already corrected in a prior year's similar situation illustrates the value of:

A. Assuming the same error can never possibly recur in any future engagement
B. Reducing the current year's review effort, since the error was already caught once before
C. Applying lessons learned from past reviews to strengthen current-year review practices
D. Relying exclusively on memory of past errors rather than actually performing a fresh review

87. A preparer's Section 6107(b) obligation applies independently of whether the return was ultimately:

A. Prepared using the preparer's preferred choice of tax software
B. Accepted or rejected by the IRS upon transmission
C. Prepared for an individual rather than a business taxpayer
D. Filed electronically rather than on paper

88. A preparer's data security policy should generally specify procedures for:

A. Retaining client records indefinitely with no defined disposal procedure of any kind
B. Sharing client records freely with any staff member regardless of their actual role
C. Storing client records exclusively on personal, unencrypted mobile devices
D. Securely disposing of client records once the applicable retention period has genuinely expired

89. An IRS e-file Application's approval generally reflects the IRS's determination that the applicant:

A. Is guaranteed to never make any error in any future e-filed return submitted
B. Has achieved a specific minimum score on a formal, standardized technical competency examination
C. Meets the suitability and background standards for participating responsibly in the e-file program
D. Has been formally recommended by at least one currently practicing Enrolled Agent

90. A firm's e-file Provider status review should generally occur when the firm:

A. Experiences significant changes to its ownership, structure, or the personnel handling e-file responsibilities
B. Simply changes its choice of office coffee supplier with no other change involved
C. Updates its website's visual design with no other substantive change involved
D. Renews its general liability insurance policy at the exact same coverage terms as before

91. A preparer's covered-return count determination should generally rely on:

A. An exact, precise count that can only be genuinely known after the entire filing season has fully concluded
B. The preparer's total count from the immediately preceding calendar year, applied automatically going forward
C. A number specifically assigned to the preparer directly by the IRS at the start of each year
D. A reasonable, good-faith estimate made at the relevant point during the applicable calendar year

92. A preparer's Form 8948 for a return involving a client's religious objection to electronic filing should generally reference:

A. Only the preparer's own general personal opinion regarding religious objections generally
B. The specific religious objection exception category, if the objection genuinely qualifies under applicable guidance
C. Only the specific software the preparer would have otherwise used for electronic filing
D. Only the preparer's own past filing history with that particular client over prior years

93. A preparer's Form 8944 hardship waiver approval letter should generally be retained:

A. Nowhere at all, since the approval itself is treated as self-evidently sufficient with no retention needed

B. Only in the specific client's individual file, rather than the firm's own general records

C. As part of the firm's records, supporting the basis for any related paper filings made under the waiver

D. Only for the specific tax year in which the waiver was originally granted

94. A taxpayer's Form 8879 that the ERO discovers was signed based on a materially incomplete draft return should generally be:

A. Treated as fully valid regardless of the draft's incompleteness, since a signature was technically obtained

B. Supplemented informally with a verbal confirmation from the taxpayer with no new signature required

C. Disregarded entirely with the return transmitted anyway with no authorization concern raised at all

D. Treated as invalid, requiring the taxpayer to review and sign a new authorization based on the complete return

95. An ERO's Form 8879 retention practice should generally be consistent across:

A. Only clients the ERO considers personally significant or particularly memorable

B. All clients and all tax years within the applicable retention period, not applied selectively

C. Only tax years in which the ERO happened to charge a specifically higher fee

D. Only returns that resulted in a refund rather than a balance due

96. A preparer's confirmation of whether a specific document requires Form 8453 transmittal should generally occur:

A. As part of the standard return preparation and review process, not as an afterthought

B. Only after a client formally files a complaint regarding a document that was not properly transmitted

C. Only during an annual firm-wide training session held once per year

D. Only if the IRS specifically flags the return for further review after transmission

97. A rejected return's correction should generally be verified before retransmission to confirm:

A. The specific error identified in the rejection has actually been properly resolved
B. The overall total page count of the return remains identical to the original submission
C. The specific font used throughout the return remains unchanged from the original submission
D. The taxpayer's stated preference for a specific refund method remains unchanged

98. A preparer's response to a suspected identity theft rejection should generally document:

A. Only the preparer's own personal, subjective frustration with having to deal with the situation
B. Only the total amount of additional time the situation ultimately required to resolve
C. Only the preparer's own general opinion regarding the overall prevalence of identity theft
D. The specific steps taken to address the situation and any guidance provided to the affected client

99. A preparer's overall approach to e-file compliance should generally reflect an understanding that the mandate exists to:

A. Increase the preparer's own individual administrative burden with no corresponding benefit to anyone
B. Generate additional fee revenue opportunities for the preparer's own firm specifically
C. Improve accuracy and efficiency in tax administration for both taxpayers and the IRS
D. Restrict taxpayer access to paper filing options entirely, with no exception ever available

100. An e-file Provider's long-term commitment to compliance ultimately reinforces:

A. Only the Provider's own narrow, immediate short-term financial interests exclusively
B. Public and institutional confidence in the integrity of the electronic filing system generally
C. Only the IRS's own narrow internal administrative processing convenience exclusively
D. Only a single specific taxpayer's own isolated personal interests in that taxpayer's own matter

Practice Exam 11: Answer Key and Explanations

1. A — A—Suitability for enrollment requires a tax compliance history and background genuinely consistent with the public trust the credential is meant to represent to taxpayers and the IRS alike. A minimum net worth threshold, mandatory trade association membership, and unrelated prior work experience are not themselves suitability requirements Circular 230 actually imposes on applicants.

2. B — B—The enrollment card should be kept current with any renewal, since it reflects the practitioner's active status at a given point rather than being disposable. It should not be discarded immediately since it remains a useful status indicator, need not be physically displayed at every meeting, and follows the three-year cycle, not an annual one.

3. D — D—This status can generally be corrected by completing the outstanding continuing education hours and then properly reactivating the enrollment through the applicable procedures available. It is not permanently uncorrectable once the deadline passes, does not automatically become permanent disbarment, and does carry a genuine practical consequence rather than being optional.

4. C — C—OPR's disciplinary jurisdiction generally continues even if the practitioner allows enrollment to lapse into inactive status during a pending investigation, preventing evasion of accountability entirely. A simple address change, retaining outside counsel, and requesting a reasonable response extension do not themselves affect or limit OPR's continuing jurisdiction over the matter.

5. B — B—Due diligence requires a reasonable inquiry into whether the claimed expenses and applicable eligibility requirements are genuinely satisfied, not necessarily independent verification with the institution itself. Direct institutional verification is not required, automatic disallowance above an arbitrary amount is inappropriate, and no inquiry at all under any circumstances misstates this standard.

6. D — D—A position supported by substantial authority may generally be taken without disclosure on the return, since substantial authority alone satisfies the Section 10.34 standard on its own. Mandatory disclosure regardless of authority level, a required advance PLR, and dependence on the resulting tax liability amount all misstate this actual standard.

7. A — A—A contingent fee for state tax representation is governed by the applicable state's own rules, since Circular 230's fee provisions apply specifically to representation before the IRS. It is not governed entirely by Circular 230's federal provisions, is not prohibited regardless of state rules, and does not require an accompanying federal issue to be permitted.

8. C — C—Reasonableness is evaluated based on whether the retainer amount genuinely reflects the value of services actually expected to be rendered, not merely payment structure or labeling. Lump-sum versus installment payment, whether the client negotiated the amount, and the specific "nonrefundable" label alone are not themselves determinative of this reasonableness inquiry.

9. B — B—Guaranteeing results is prohibited as inherently misleading, since no practitioner can honestly guarantee a specific outcome before the underlying facts and law are fully evaluated. Genuine belief in achievability does not cure this prohibition, there is no dollar threshold exception, and a mere disclaimer does not cure an otherwise misleading guarantee claim.

10. D — D—This conflict analysis centers on whether the lender's and borrower's specific interests in the particular tax matter genuinely align or instead meaningfully diverge from each other. The loan's total dollar amount, which party is the longer-standing client, and the specific interest rate charged are not themselves the substantive factors this analysis turns on.

11. C — C—Consent for a minor client should generally be obtained through the minor's legally authorized parent or guardian, consistent with applicable legal capacity requirements governing minors. Obtaining consent from the minor directly with no guardian involvement, requiring a court-appointed attorney regardless of an available guardian, and exempting minors entirely all misstate this process.

12. A — A—Effective procedures should allow staff to report a suspected compliance concern without fear of retaliation, supporting a genuinely open internal reporting culture within the firm. Requiring strict anonymity from management, requiring only written reporting with no verbal option, and limiting reporting to a single annual meeting all undermine genuinely effective internal reporting.

13. D — D—A violation may be established through evidence of a genuine pattern of statements the practitioner knew or should have known were materially inaccurate, reflecting real culpability here. A single minor imprecision, a good-faith statement based on client-provided information, and a promptly self-corrected error do not themselves establish this specific violation.

14. C — C—This accuracy obligation applies throughout the full lifecycle of a matter, from the practitioner's initial contact with the IRS through the matter's eventual final resolution. It is not limited only to the initial client meeting, is not limited only to a formal examination interview, and is not limited only to the post-Appeals-referral period.

15. B — B—Reasonably relying on client-represented facts absent any red flags is consistent with the good-faith reliance standard Circular 230 generally permits for such factual representations. This is not a per se violation regardless of the absence of red flags, is not irrelevant to Circular 230, and does not require independent verification of every single fact.

16. A — A—Competence in an unfamiliar area like international tax generally requires either developing sufficient competence through genuine research or associating with a practitioner who already possesses it fully. Automatic acceptance regardless of actual competence, automatic decline foreclosing development, and sole reliance on the client's own understanding are all inappropriate responses here.

17. B — B—Testimonials should be genuine, from actual clients, and not presented in a way implying other clients will achieve a similarly guaranteed outcome. Testimonials written entirely by the practitioner rather than genuine clients, based on hypothetical scenarios, and drawn exclusively from a single extraordinary case are all inappropriate, potentially misleading approaches.

18. C — C—Section 10.20 does not require waiving any otherwise properly applicable privilege the practitioner or client may genuinely assert regarding specific requested information at all. It does require submitting lawfully requested records actually possessed, cooperating in good faith with a properly scoped inquiry, and responding within a reasonable timeframe to authorized requests.

19. D — D—Failing to identify clearly applicable innocent spouse relief may reflect a genuine shortfall in the competence and diligence standards Circular 230 expects of practicing professionals. This is not automatically acceptable simply because not every relief category must be identified, is not outside Circular 230's concern, and does not require proving deliberate withholding.

20. A — A—Documenting the evaluation, even where no genuine conflict is found, provides a defensible record showing the actual analysis genuinely performed by the practitioner. There is no specific regulatory mandate requiring documentation of every negative determination, an undocumented evaluation is not itself automatically a violation, and clients do not automatically expect a copy.

21. D — D—This violation is generally evaluated based on a genuine pattern of willful noncompliance, not a single isolated instance of genuinely inadvertent late filing. It is not triggered by any single late filing regardless of willfulness, does not depend on the specific tax liability amount, and does not depend on client discovery.

22. A — A—Confidentiality is subject to an exception where the client provides genuine informed consent to a specific disclosure, since the client retains control over their own confidential information generally. Mere practitioner convenience, a competitor's marketing research request, and sharing purely because information is interesting to colleagues are not themselves recognized exceptions.

23. B — B—A withdrawal under these circumstances should generally involve reasonable notice and facilitating an orderly transition to new representation where genuinely feasible under the circumstances. Withdrawing immediately with no notice regardless of harm, continuing despite an irreconcilable conflict, and reporting the client to the IRS as withdrawal's basis are all inappropriate.

24. C — C—The accuracy obligation for a refund claim generally mirrors the obligation for an original return position, since both are subject to the same underlying accuracy standards Circular 230 imposes. It is not limited only to active Tax Court litigation, is not limited only to business entities, and refund claims are not entirely unregulated.

25. D — D—A suspension applies uniformly to all matters and all IRS offices during the suspension period, not selectively limited to certain matter types or specific offices. It is not limited to only individual taxpayer matters excluding business entities, is not limited to a single specific office, and is not limited based on the practitioner's own subjective significance assessment.

26. B — B—A monetary penalty may still be imposed even where the practitioner has already voluntarily corrected the underlying conduct, since correction does not automatically erase the completed violation. Insurance reimbursement, genuine good-faith belief in propriety, and a clean prior complaint history do not themselves categorically preclude a penalty from being imposed.

27. A — A—Reinstatement generally involves OPR evaluating whether granting it would genuinely be consistent with protecting the broader public interest overall, a substantive fitness-based inquiry required. Simply waiting out the minimum period, merely paying prior penalties in full, and obtaining an unrelated additional certification are not themselves sufficient standing alone for reinstatement.

28. C — C—The disclosure obligation extends to a conflict involving the practitioner's own close personal relationship with a party whose interests are genuinely adverse to the represented client. Sharing a surname, living in the same neighborhood, and shared educational history are not themselves the relevant personal-relationship conflict this disclosure obligation actually addresses.

29. B — B—A sound approach always includes asking the prospective client several specific, targeted questions designed to systematically surface potential adverse relationships before accepting the engagement. Relying purely on unaided memory with no systematic process, waiting until after the engagement begins, and assuming no conflict absent volunteered information are all inadequate approaches.

30. A — A—Congress designed this regulatory structure to balance genuine taxpayer access to competent representation against the legitimate need for meaningful practitioner accountability. It was not designed to eliminate representation entirely, was not designed to maximize revenue without regard to representation rights, and was not designed to restrict practice exclusively to attorneys.

31. C — C—These obligations are ultimately grounded in the principle that effective tax administration genuinely depends on practitioners meeting defined standards of competence and integrity consistently. Tax administration does not function equally well regardless of practitioner conduct, regulation is not aimed at revenue generation, and taxpayers genuinely do benefit from qualified representation.

32. D — D—A power of attorney must generally be signed using the taxpayer's own actual, genuine signature, consistent with applicable identity verification standards protecting against fraud. A representative-held signature stamp is not appropriate, electronic signatures are in fact accepted under applicable current procedures, and a family member cannot sign without proper separate authorization.

33. C — C—Form 2848 authority is generally construed narrowly, limited to what the form actually and specifically states, rather than broadly implied beyond its stated terms. It is not construed broadly to cover anything the representative believes is related, is not identical regardless of the actual specified terms, and is not based on subjective interpretation.

34. B — B—A standard power of attorney does not authorize substituting a different representative absent the taxpayer's own specific separate written authorization checked for that particular substitution authority granted. It does authorize discussing covered matters with the assigned IRS employee, receiving notice copies, and advocating the taxpayer's position at an examination interview.

35. A — A—The assessment statute begins running for the first time when the taxpayer actually files an original return for a year where no return had previously existed. Simply changing preparers, moving within the same state, and updating a name following a legal change do not themselves start or restart the statute's running.

36. D — D—Even when the IRS initiates the request, a Form 872 extension still requires the taxpayer's own voluntary agreement and signature, since the IRS cannot unilaterally extend the statute. The IRS cannot unilaterally impose an extension without taxpayer involvement, no court order is required, and no specific processing fee is charged.

37. C — C—Reasonable cause may be supported by showing a genuine good-faith belief in the guidance's accuracy at the actual time of reliance, the core relevant factor in this analysis. Merely recalling the specific employee's name, independent verification through a separate source, and the resulting liability amount are not themselves this specific relevant factor.

38. A — A—A TAM issued in an unrelated taxpayer's case provides some persuasive value but is not binding precedent for the current taxpayer's own separate, distinct matter. It is not fully binding like a published Revenue Ruling, is not entirely without value, and certainly does not carry weight superior to the underlying Code provision itself.

39. B — B—Form 8275-R is appropriately used where the disclosed position is specifically contrary to a Treasury Regulation, a more specialized disclosure than the standard Form 8275 covers. Mere complexity alone, involving a business rather than individual taxpayer, and the resulting liability amount are not themselves the trigger for using this specific alternate form.

40. D — D—This distinction ultimately turns on whether the taxpayer engaged in genuine deception or concealment directed at the government regarding facts the taxpayer actually knew. Paying a smaller resulting tax amount, having consulted a professional, and a later adverse court determination are not themselves the factors that distinguish evasion from avoidance.

41. D — D—Systemic advocacy focuses on broader IRS processes and policies affecting multiple taxpayers, distinct from individual case assistance addressing one specific taxpayer's particular situation. This function does not require a prior Tax Court petition, is not limited to issues the Advocate personally encounters, and is not limited to low-income eligible taxpayers.

42. A — A—A TAO's binding effect continues until modified or rescinded by the National Taxpayer Advocate, a proper delegate, or the IRS Commissioner, reflecting its genuine administrative authority. It does not end simply because the originally involved employee retires, does not automatically expire after ninety days, and does not end upon the representative's withdrawal.

43. C — C—The key distinction is the EA's ability to represent any taxpayer on any matter, not limited to returns the EA personally prepared, unlike an unenrolled preparer's narrower rights. An EA does not require a separate state license for federal practice, is not required to charge a higher minimum fee, and need not hold a law degree.

44. B — B—A proper preliminary assessment always carefully confirms the specific residency and filing obligations genuinely applicable to the taxpayer's particular nonresident situation, a foundational threshold matter here. The taxpayer's travel history, the foreign account's currency denomination, and personal policy opinions are not themselves the substantive factors this assessment should focus on.

45. C — C—This conflict check considers whether the practitioner has previously represented any party whose interests might be genuinely adverse to the estate or its named beneficiaries. Attending the funeral, having previously met the decedent, and holding a personal opinion about distribution are not themselves the substantive factors this check should focus on.

46. D — D—A return transcript becomes available after the taxpayer's return for that specific year has actually been filed and subsequently processed by the IRS system. It is not available before any return has been filed for the year, is not limited strictly to only the most recent three years, and does not depend on a refund resulting.

47. A — A—A sound analysis for genuinely seasonal income should account for an averaged or annualized figure reasonably reflecting the taxpayer's actual overall earning pattern across the entire calendar year. Using only the highest-earning month, only the lowest-earning month, or assuming zero income throughout would all distort the genuine underlying ability-to-pay picture.

48. B — B—Traditional relief evaluation generally includes considering whether holding the spouse liable would be genuinely inequitable given all the actual facts and circumstances of the specific case presented. Mere personal financial planning inconvenience, the requesting spouse's own outcome preference, and family members' expectations are not themselves this specific relevant inequity consideration.

49. B — B—Proper documentation should address whether the requesting spouse had actual knowledge of the specific item causing the understatement, since actual knowledge can defeat this particular relief category. Attending a joint appointment, having shared a residence at some point, and comparative income levels are not themselves this specific relevant knowledge factor.

50. C — C—Early recognition of potential criminal exposure should genuinely and quite carefully influence the specific advice given regarding voluntary disclosures and communications made with the IRS going forward. The practitioner's own office location choice, software brand preference, and scheduling availability are not themselves the substantive matters this recognition should meaningfully influence.

51. D — D—Continuing to advise without a proper referral risks providing genuinely inadequate advice on criminal matters outside the practitioner's own actual defined competence and training. Practitioners are not presumed fully competent in every legal area including criminal law, and the risk extends well beyond mere fee collection or insurance premium concerns.

52. A — A—The arrangement's protective value diminishes where the accountant's work is genuinely unrelated to assisting the attorney's actual legal advice, falling outside the privilege's intended scope entirely. Work that is specifically attorney-directed, performed exclusively to assist legal analysis, and kept properly confidential all support, rather than diminish, the arrangement's protective value.

53. B — B—Sound documentation should honestly reflect the actual relative strength of each argument, supporting genuinely sound strategic decision-making throughout the entire representation process. Presenting every argument as equally strong regardless of merit, omitting weaker arguments entirely, and focusing exclusively on only the single strongest argument all undermine this needed honest reflection.

54. C — C—The assessment should be updated because genuinely new, relevant guidance can materially affect the strength or ongoing viability of the taxpayer's existing position in the matter. There is no specific twenty-four-hour mandatory update regulation, failing to update is not automatically a violation regardless of relevance, and clients do not automatically expect a formal memo.

55. A — A—A proper preliminary assessment should always carefully review the business's ownership structure and its genuine potential implications for the specific tax matter actually being handled here. Office furniture and decorating, general community reputation, and the specific company name or branding are not themselves the substantive factors this assessment should focus on.

56. D — D—Proper notes capture the date, the IRS employee's name and identification number where provided, and the actual substance of what was genuinely discussed during the specific call. Mere call duration, a general tone impression, and a simple helpful-or-not judgment are not themselves the substantive content these notes should prioritize capturing.

57. C — C—Case-building for a disputed valuation should include obtaining or reviewing a credible, well-supported valuation analysis genuinely relevant to the specific disputed issue at hand. Simply asserting a preferred figure with no support, relying exclusively on the examiner's figure without review, and avoiding the dispute entirely all fail to properly address it.

58. A — A—A thorough preliminary assessment should always clearly and specifically conclude with a documented understanding of the key facts, applicable law, and a proposed initial strategy genuinely tailored to the matter. A fee-only conclusion, a software-only conclusion, and a general satisfaction-only conclusion all fail to reflect this substantive, expected documented outcome.

59. B — B—Work product for a matter proceeding to litigation should be organized to support an efficient, well-documented presentation to litigation counsel or the court itself. Serving only personal filing preferences with no downstream consideration, maximizing sheer paper volume regardless of usefulness, and sacrificing quality to minimize time all undermine this needed organization.

60. D — D—A sound case-building philosophy balances genuine thoroughness against the practical time and cost constraints reasonably applicable to the specific matter actually being handled. Pursuing only exhaustive documentation regardless of cost, only the fastest resolution regardless of quality, and only IRS administrative convenience all fail to reflect this necessary practical balance.

61. C — C—A realistic short-term plan proposal should be paired with an honest assessment of the taxpayer's actual projected cash flow over the specific proposed period involved. Mere terminology preference, total assets regardless of liquidity, and a private credit score are not themselves the proper substantive basis for this specific type of payment plan proposal.

62. A — A—The guaranteed agreement threshold is evaluated against the combined total of tax, penalties, and interest actually owed together, not the tax liability viewed in isolation. It is not evaluated based on the tax alone excluding penalties and interest, nor based on penalties alone or interest alone excluding the other components.

63. D — D—An offer for a jointly liable couple generally requires both spouses' financial information, since the RCP analysis addresses the couple's genuinely combined ability to pay together. It does not require only the higher-earning spouse's information, only the lower-earning spouse's information, and offer amounts are not fixed by statute without financial analysis.

64. B — B—Low-Income Certification depends on the taxpayer's income falling at or below a specific percentage of the federal poverty guidelines, an objective income-based standard. It is not based on the taxpayer's own subjective hardship assessment with no objective standard, is not based on net worth alone, and is not based on occupation alone.

65. B — B—Priority between these lien types generally depends on specific timing and perfection requirements under the relevant federal and applicable state priority rules governing competing claims. It does not turn on which claim is simply larger, does not turn on whether the lienholder is an individual versus a business entity, and does not turn on taxpayer preference.

66. D — D—This exemption applies up to a specific dollar value threshold, with any excess value beyond that threshold potentially still remaining subject to levy. It is not unlimited regardless of value, is not limited only to items purchased within the immediately preceding calendar year, and does not require proving after-tax income was used.

67. A — A—A CNC determination generally requires carefully and properly documenting the specific financial analysis genuinely supporting the conclusion that the taxpayer cannot currently pay the outstanding balance owed. The taxpayer's opinion of assessment fairness, years as a taxpayer generally, and the officer's subjective credibility impression are not themselves this required documented analysis.

68. C — C—A properly and timely requested CDP hearing generally suspends the applicable levy or collection action pending the outcome of the requested hearing process. It does not suspend or erase the underlying assessment itself, does not suspend the taxpayer's ongoing filing obligations, and does have a genuine practical effect on collection.

69. B — B—A TFRP assessment cannot properly be imposed against an individual who genuinely lacked both the responsibility and willfulness elements the statute actually requires to be established. Merely disliking the business's management, a short employment period, and a junior job title alone do not themselves establish this lack of both required elements.

70. A — A—Proper representation should carefully and thoroughly gather evidence regarding the individual's actual role in the business's genuine financial decision-making at the relevant time period at issue. Unrelated personal hobbies, educational background and degrees, and personal relationships with other employees are not themselves the substantive evidence this specific representation should focus on.

71. D — D—Section 7525 privilege does not protect communications made specifically for the purpose of preparing a tax return, as distinguished from separately providing genuine tax advice entirely. It does protect advice regarding a proposed business transaction's implications, an investment's tax treatment, and an available election's potential benefits, all genuine tax advice.

72. C — C—An estimate is least likely accepted where the taxpayer offers no credible basis whatsoever beyond a bare, entirely unsupported assertion of the specific amount claimed. Credible secondary evidence like bank records, a reasonable explanation for missing documentation, and credible corroborating witness testimony all support, rather than undermine, an estimate's acceptance.

73. B — B—A proper review confirms whether the specific proposed penalty is genuinely legally applicable given the actual facts and applicable law governing the case at hand. Whether the amount is a round number, whether a calculator was used, and the specific ordering of sections within the RAR are all irrelevant to this genuine substantive review.

74. C — C—An extension request should be based on a genuine, specific need for additional time to gather necessary documentation or complete relevant analysis before responding. A general unspecified desire to delay, a preference for a specific length regardless of actual need, and the letter's issuance month are not themselves proper bases.

75. D — A—The practitioner should first verify whether the identified discrepancy actually reflects a genuine reporting error or instead a legitimate item that was already properly reported elsewhere. The notice's ink color, the presence of an official seal, and the specific mail delivery method are all irrelevant to this genuine substantive first verification step.

76. A — D—A petition should be prepared with awareness that it establishes the specific issues the Tax Court will actually have jurisdiction to consider in the proceeding. The petition does have meaningful bearing on jurisdiction, does not automatically include every conceivable issue regardless of pleading, and cannot be freely rewritten without restriction later.

77. A — A—Preparation should reflect the understanding that the Appeals Officer will independently evaluate the case's actual merits rather than simply deferring to the examiner's original position. The Officer is not required to always side with the requesting party, genuinely holds real settlement authority, and is not prohibited from considering new evidence.

78. B — B—This decision should reflect a genuine comparison of the settlement's certainty against the potential outcome, cost, and risk associated with continuing toward full litigation. The specific presentation day, the Officer's personal communication style, and the representative's general comfort level with litigation are not themselves the substantive comparison this decision requires.

79. D — D—This election should generally be avoided where the matter involves a genuinely novel legal question, since preserving appellate review would carry meaningful value in that circumstance. Comfortably falling under the threshold, a clear preference for efficiency, and the representative's prior small case experience do not themselves counsel against this election.

80. C — C—The requested relief should always be clearly and quite specifically stated, identifying the precise resolution the taxpayer is actually seeking from the entire Appeals process. Leaving it entirely vague, limiting it exclusively to total dismissal regardless of the actual merits, and omitting it entirely all undermine an effectively presented protest.

81. B — B—Proper settlement documentation for a penalty dispute should specify whether the specific penalty is actually being abated, reduced, or sustained as part of the reached settlement. The Officer's general policy preference regarding penalties, the conference's specific building floor, and the taxpayer's general satisfaction are not themselves this required documentation content.

82. D — D—A mediation request should be evaluated against whether the remaining disputed issue is genuinely amenable to negotiated resolution, rather than requiring a definitive legal ruling instead entirely. The taxpayer's personal emotional frustration, the representative's own prior unfamiliarity, and an arbitrary unofficial dollar threshold are not themselves the proper evaluation basis.

83. A — A—The outcome should be evaluated against the originally identified strength of the taxpayer's position and the realistic range of outcomes genuinely anticipated at the matter's outset. The taxpayer's outfit choice, the protest document's page count, and the conference's scheduled time of day are not themselves the relevant evaluation benchmark here.

84. C — C—Effective preparation should generally always include genuinely anticipating the Appeals Officer's likely questions and preparing well-supported, thoughtful responses well in advance of the conference itself. Assuming no questions will be asked requiring no preparation, preparing only for personally interesting questions, and preparing only for unrelated matters all reflect inadequate preparation.

85. A — A—Confidence in software output should be tempered by recognizing the software cannot independently verify whether the data actually entered is accurate or complete. Products do not carry an identical universal error rate, output is not legally presumed correct by the IRS regardless of data errors, and independent judgment remains genuinely necessary.

86. C — A—This illustrates the genuine value of applying lessons learned from past reviews to meaningfully strengthen current-year review practices going forward. Assuming the error can never recur, reducing current review effort because it was caught before, and relying exclusively on memory rather than a fresh review all reflect complacent, risky approaches.

87. B — A—The Section 6107(b) recordkeeping obligation applies independently of whether the prepared return was ultimately accepted or rejected by the IRS system upon transmission. It applies regardless of the specific software used, applies to individual and business returns alike, and applies regardless of whether the return was filed electronically or on paper.

88. D — D—A sound data security policy should generally specify procedures for securely disposing of client records once the applicable retention period has genuinely and properly expired. Retaining records indefinitely with no disposal procedure, sharing freely regardless of role, and storing exclusively on unencrypted personal devices all reflect inadequate, risky security practices.

89. C — A—Approval reflects the IRS's determination that the applicant meets the applicable suitability and background standards for responsible e-file program participation as a trusted Provider. It does not guarantee the applicant will never make any future error, does not require a formal standardized exam score, and does not require an EA's recommendation.

90. A — A—A review should generally occur when the firm experiences significant changes to its ownership, structure, or the specific personnel actually handling e-file responsibilities. Changing a coffee supplier, updating website design, and renewing insurance at the same terms are all unrelated changes not themselves triggering a genuine need for this review.

91. D — D—This determination relies on a reasonable, good-faith estimate made at the relevant point during the applicable calendar year, a prospective rather than retrospective standard. It does not require an exact count only knowable after the season concludes, does not simply carry forward the prior year's count automatically, and is not IRS-assigned.

92. B — B—Form 8948 should generally reference the specific religious objection exception category, provided the objection genuinely qualifies under the applicable current IRS guidance for this exception. It should not merely reference the preparer's own general personal opinion, the software otherwise used, or the preparer's unrelated past filing history with the client.

93. C — C—The approval letter should be retained as part of the firm's own records, supporting the basis for any related paper filings actually made under that specific waiver. It should not go unretained anywhere, should not be kept only in an individual client's file rather than firm records, and retention should not end after just one year.

94. D — D—Such an authorization should be treated as invalid, requiring the taxpayer to review and properly sign a new Form 8879 based on the actual complete return. It should not be treated as fully valid despite the material incompleteness, should not be merely supplemented with an informal verbal confirmation, and should not be disregarded entirely.

95. B — B—Retention practice should be applied consistently across all clients and all tax years within the applicable retention period, not selectively applied based on subjective factors. It should not be applied only to personally significant or memorable clients, only to higher-fee years, and should not depend on whether a refund or balance resulted.

96. A — A—This confirmation should occur as part of the standard return preparation and review process itself, not treated as an afterthought handled only when problems later arise. Waiting for a client complaint, waiting for an annual training session, and waiting for an IRS flag after transmission all delay this necessary confirmation inappropriately.

97. A — A—Pre-retransmission verification should always carefully confirm the specific error the rejection notice actually identified has been genuinely and properly resolved before resubmitting the corrected return. The overall page count, the specific font used, and the taxpayer's refund method preference are all irrelevant to this genuine substantive verification actually needed here.

98. D — D—Proper documentation should carefully capture the specific steps actually taken to address the situation and the guidance genuinely provided to the affected client throughout the process. The preparer's own subjective frustration, the total additional time required, and general opinions about identity theft prevalence are not themselves this documentation's proper substantive focus.

99. C — C—A sound compliance approach reflects understanding that the mandate exists to improve accuracy and efficiency in tax administration for both taxpayers and the IRS. This is not about increasing the preparer's own burden with no benefit, is not about generating fee revenue, and paper filing exceptions genuinely remain available under appropriate circumstances.

100. B — A—A genuine long-term compliance commitment ultimately reinforces public and institutional confidence in the overall integrity of the electronic filing system relied upon broadly nationwide. This is not solely about narrow short-term financial interests, is not solely about IRS administrative convenience, and is not limited to a single isolated taxpayer's interests.