PRACTICE EXAM 12: 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 Enrolled Agent status confers practice rights that generally exist independently of:

A. Any particular state's own separate professional licensing scheme for tax preparers
B. The practitioner's own compliance with the applicable continuing education requirements
C. The practitioner's own compliance with the applicable Circular 230 conduct standards
D. The practitioner's own timely renewal of the enrollment on the applicable cycle

2. A practitioner's continuing education records should generally be retained for a period sufficient to:

A. Satisfy a purely symbolic administrative formality with no genuine practical purpose
B. Qualify the practitioner for an entirely separate professional credential unrelated to EA status
C. Demonstrate compliance if the IRS or OPR requests verification during an audit of CE hours
D. Increase the practitioner's overall advertised years of continuous professional experience

3. A practitioner's request for a hardship waiver of a specific continuing education requirement should generally be supported by:

A. A general, unsupported statement expressing a preference for a lighter overall workload
B. Confirmation the practitioner has never previously requested any waiver of any kind
C. A guarantee the practitioner will complete double the normal requirement in the following cycle

D. Documentation of the specific circumstances genuinely preventing timely completion of the requirement

4. OPR's determination that a practitioner's conduct warrants only an informal caution rather than a formal complaint generally reflects:

A. A complete absence of any concerning conduct whatsoever on the practitioner's part
B. OPR's judgment that the conduct, while concerning, did not rise to a level warranting formal proceedings
C. An automatic, permanent bar against ever pursuing formal proceedings for that same conduct later
D. A finding that is legally binding and preclusive in any future, entirely unrelated matter

5. A practitioner's due diligence obligation regarding a client's claimed business use of a vehicle generally requires:

A. Independent physical inspection of the vehicle's odometer by the practitioner personally
B. A reasonable inquiry into the actual business-use percentage and supporting mileage records
C. Automatic disallowance of any vehicle expense claim exceeding a specific fixed percentage
D. No inquiry whatsoever, since vehicle expense claims are presumed accurate automatically

6. A practitioner's advice regarding a position that lacks substantial authority but has a reasonable basis, if disclosed, generally satisfies:

A. Section 10.34's standard for signing the return despite the comparatively weaker authority level
B. No applicable Circular 230 standard whatsoever, since disclosure alone is treated as irrelevant
C. Only a heightened standard applicable exclusively to matters involving licensed attorneys
D. A standard requiring the client's own separate, additional written acknowledgment of the risk

7. A contingent fee arrangement is generally prohibited for preparing an original return, but this prohibition generally does NOT extend to:

A. The original return itself, which remains squarely covered by the general prohibition
B. A duplicate copy of the identical original return filed for the taxpayer's own personal records
C. A subsequent amended return filed specifically in connection with an examination of the original return
D. A second original return filed for an entirely separate, unrelated tax year

8. A practitioner's fee arrangement should generally NOT be evaluated for reasonableness based on:

A. The complexity of the underlying tax matter actually being handled
B. The time genuinely required to competently handle the specific matter
C. The results actually achieved for the client through the representation
D. The specific font size used to display the fee amount within the engagement letter

9. A practitioner's advertisement comparing the firm's services favorably against a specifically named competitor is generally:

A. Prohibited entirely, since comparative advertising naming a specific competitor is categorically banned
B. Permitted regardless of whether the underlying comparison claims are actually accurate
C. Permitted only if the named competitor has provided prior written consent to the comparison
D. Permitted only if the comparison is truthful, substantiated, and not otherwise misleading

10. A practitioner's conflict of interest analysis for representing a taxpayer in a matter where the practitioner previously worked for the IRS on a related issue should generally consider:

A. Applicable post-employment restrictions and whether confidential government information could be improperly used
B. Only the total number of years that have elapsed since the practitioner left IRS employment
C. Only whether the practitioner personally liked working at the IRS during that employment
D. Only the specific IRS division the practitioner was formerly employed by

11. A practitioner's written consent documentation for a conflict involving a former IRS employment relationship should generally address:

A. Only the client's own personal opinion of the practitioner's former government service generally
B. Whether applicable post-employment restrictions have been properly satisfied before proceeding
C. Only the specific dollar amount of the practitioner's federal government salary while employed
D. Only the specific title the practitioner held during the prior government employment

12. A firm's Section 10.36 procedures for onboarding new staff should generally include:

A. Only training on the firm's specific holiday schedule and paid time off policies
B. Only training on the firm's specific office parking assignment procedures
C. Training on Circular 230 standards and the firm's own internal compliance expectations
D. Only training on the firm's specific cafeteria and break room usage rules

13. A practitioner's Section 10.51(a)(4) violation for false statements requires evidence the practitioner:

A. Simply held a subjective personal belief the underlying tax position was entirely correct
B. Charged the client a fee for the specific representation involving the statement
C. Knew or recklessly disregarded the statement's actual falsity when it was made
D. Previously represented a different, entirely unrelated client on an unrelated matter

14. A practitioner's obligation regarding accuracy of representations extends specifically to representations concerning:

A. Only representations the IRS specifically and formally requests be reduced to writing
B. Only representations made during a scheduled Appeals conference specifically
C. Only representations made after the underlying matter has already formally concluded
D. The taxpayer's factual circumstances as understood and communicated by the practitioner to the IRS

15. A practitioner's written tax opinion that reasonably assumes facts the client will later establish through additional documentation should generally:

A. Clearly identify the assumption as such, distinguishing it from facts already verified
B. Present the assumed fact as though it were already fully verified with no distinction noted
C. Omit any mention of the assumption entirely to avoid complicating the opinion's presentation
D. Simply guarantee the client will ultimately obtain the necessary documentation as assumed

16. A practitioner's competence obligation regarding a matter involving a recent legislative change generally requires:

A. Immediate, comprehensive mastery of every technical detail the moment the legislation is enacted
B. Reasonable diligence in understanding the change's actual application before advising the client
C. Deferring the entire matter indefinitely until formal Treasury Regulations are eventually issued
D. Relying exclusively on the client's own understanding of the recent legislative change

17. A practitioner's advertising that includes a disclaimer regarding the limitations of past results is generally:

A. A recommended practice supporting the overall accuracy of any results-related claims made
B. Legally required in every single instance where any results-related claim is made at all
C. Irrelevant to whether the underlying advertising claim is actually misleading
D. Sufficient on its own to fully cure any otherwise misleading results-related claim

18. A practitioner's Section 10.20 obligation to submit records generally applies to records the practitioner:

A. Merely once heard about secondhand from an entirely unrelated third party
B. Created purely as a hypothetical exercise for internal training purposes only
C. Actually possesses or has ready access to, not records the practitioner never received
D. Believes might theoretically exist somewhere without any actual confirmation

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

A. Personal financial situation, which bears no genuine relationship to this specific professional matter
B. Competence and diligence in staying current on available relief mechanisms
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 business and a departing employee in a related dispute should generally distinguish between:

A. Only which party happens to have been the practitioner's client for the longer period
B. Only which party is located geographically closer to the practitioner's own office
C. Only the specific severance amount being discussed between the two parties
D. The business's own interests and the departing employee's own potentially divergent personal interests

21. A practitioner's obligation to maintain confidentiality generally applies regardless of whether the client's matter:

A. Ultimately resulted in a favorable or unfavorable outcome for the client
B. Was handled personally by the practitioner rather than delegated to firm staff
C. Involved a fee that was ultimately paid in full by the client
D. Was resolved administratively rather than through formal litigation

22. A practitioner's decision to decline representing a client who insists on pursuing a legally frivolous position is generally:

A. A violation of an implied duty to pursue any position a client explicitly insists upon
B. Irrelevant to Circular 230, since declining representation carries no professional significance
C. Permitted only if the practitioner first obtains a formal court ruling confirming frivolousness
D. An appropriate exercise of professional judgment consistent with Circular 230's standards

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

A. Only what the taxpayer actually did, never what the applicable law actually requires
B. Only what the applicable law actually requires, never what the taxpayer actually did
C. Both what the taxpayer actually did and what the applicable law actually requires
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. Continuing employment in a non-representative role at a tax preparation firm during the suspension
C. Representing taxpayers in any IRS examination during the suspension period
D. Representing taxpayers at any Appeals conference during the suspension period

25. A practitioner's monetary penalty under Section 10.50 that is combined with disbarment 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 if imposed alone
C. A violation so minor that only a warning letter would ordinarily be considered appropriate
D. OPR's determination that the violation's severity warrants both the most serious practice restriction and a financial consequence

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

A. Simply asserting, without any further evidence, that sufficient time has now passed
B. Concrete evidence addressing the specific conduct that originally led to the disbarment
C. Payment of a specific reinstatement fee with no further substantive showing required
D. A character reference letter from a single business associate with no other supporting evidence

27. A practitioner's obligation to disclose a conflict extends to a conflict arising during the pendency of litigation, requiring the practitioner to generally:

A. Promptly notify affected parties and evaluate whether continued joint representation remains appropriate

B. Continue the litigation exactly as before with no disclosure of any kind required at any point

C. Automatically withdraw from representing all parties immediately with no further evaluation conducted

D. Wait until the litigation has fully and completely concluded before addressing the conflict at all

28. A practitioner's Section 10.33 best practices obligation regarding communicating clearly with clients extends to communications about:

A. Only the scope of the engagement itself, never significant developments occurring during the matter

B. Only significant developments occurring during the matter, never the engagement's initial scope

C. Both the scope of the engagement and the practical implications of significant developments in the matter

D. Neither category, since Section 10.33 addresses only fee arrangements specifically

29. A practitioner's Section 10.34 obligation applies to a position taken in an informal written response to an IRS inquiry in the same manner as:

A. Only a position taken during formal Tax Court litigation, never an informal administrative response

B. A position taken on an original return, since both are subject to the same underlying return position standards

C. Only a position involving a business entity, never an individual taxpayer's informal response

D. No comparable standard at all, since informal responses are treated as entirely unregulated

30. A practitioner's overall approach to staying current on Circular 230 developments should generally include:

A. Relying exclusively on informal conversations with colleagues with no independent verification
B. Checking only once, at the time of the practitioner's original enrollment, with no further monitoring
C. Regularly monitoring OPR guidance, relevant case law, and updates to the regulation itself
D. Waiting for a formal complaint to be filed before researching any applicable Circular 230 standard

31. A practitioner's overall professional obligations under Circular 230 ultimately serve the dual purpose of protecting:

A. Only the individual practitioner's own personal professional reputation and standing
B. Only the IRS's own narrow institutional interest in efficient case processing
C. Only competing practitioners' interests in a level playing field within the profession
D. Individual taxpayers who rely on practitioner expertise and the broader integrity of tax administration

32. A taxpayer's power of attorney should generally identify the specific representative using:

A. The representative's full name and applicable identifying credential number, such as a CAF number
B. Only the representative's first name, with no further identifying detail provided
C. Only the name of the representative's firm, with no individual representative named
D. A general description of the representative's role with no specific name provided at all

33. A taxpayer's power of attorney authorizing representation before a specific IRS function, such as Collection, generally:

A. Automatically extends to every IRS function regardless of what was actually specified on the form
B. Is invalid entirely unless it separately authorizes every possible IRS function at once
C. Does not automatically extend to a different IRS function, such as Examination, absent separate authorization
D. Requires a completely separate power of attorney form for each specific IRS function involved

34. A taxpayer's power of attorney generally remains valid for communications with a successor IRS employee assigned to the matter after the original assigned employee:

A. Leaves the position or is reassigned to different responsibilities
B. Simply takes a scheduled vacation for a period of two weeks or less
C. Attends a training conference for a period of several days
D. Works from a different physical office location temporarily

35. A taxpayer's assessment statute of limitations tolling due to a bankruptcy filing generally continues for:

A. A single fixed period of exactly thirty days regardless of the bankruptcy proceeding's actual duration
B. The duration of the automatic stay plus a specified additional period after the stay lifts
C. No tolling of any kind, since bankruptcy filings are treated as entirely unrelated to the assessment statute
D. An indefinite period with no defined end point even after the bankruptcy case has concluded

36. A taxpayer's decision whether to sign Form 872 when requested by the IRS near the end of the assessment period should generally weigh:

A. Only the specific IRS employee's own personal preference regarding whether the taxpayer should sign
B. Only the specific calendar date on which the request happens to be made
C. Only the taxpayer's own general feelings about the IRS as an institution generally
D. The benefits of additional time to resolve the matter against the risks of extending IRS assessment authority

37. A taxpayer's tax position supported by a formal, published Revenue Procedure is generally treated as carrying:

A. No authoritative weight whatsoever, since Revenue Procedures address only administrative matters
B. Genuine authoritative weight, since Revenue Procedures are official published IRS guidance
C. Weight inferior to an informal, non-precedential IRS website FAQ addressing the same procedural topic
D. Weight applicable only to the single taxpayer who originally requested the specific procedure

38. A taxpayer's tax position that a court has previously and directly rejected in an unrelated but factually similar case generally carries:

A. No effect whatsoever on the current matter, since the prior case involved an entirely different taxpayer

B. Automatic disqualification from being raised again in any future case by any taxpayer

C. Guaranteed success, since courts are presumed to change their prior positions over time

D. Weaker prospects, since the adverse precedent, even if not strictly binding, is genuinely persuasive against the position

39. A taxpayer's reliance on a position supported by a majority of published commentary, despite lacking a formal IRS ruling, generally reflects:

A. A reasonable basis argument, though weaker than a position with formal IRS or judicial authority

B. An automatically frivolous position lacking any recognized basis whatsoever

C. A position carrying weight identical to a formal, binding Treasury Regulation on the same topic

D. Grounds for automatic penalty relief regardless of any other circumstances involved

40. A taxpayer's evasion charge generally requires the government to prove, beyond a reasonable doubt, an affirmative act plus:

A. Only that the taxpayer simply owed some amount of tax for the relevant year

B. Only that the taxpayer's return contained any error whatsoever, regardless of intent

C. A tax deficiency and the taxpayer's willfulness in attempting to evade the tax

D. Only that the taxpayer had previously been audited by the IRS on an unrelated matter

41. The Taxpayer Advocate Service's authority to assist is generally distinct from the IRS's general customer service function in that TAS:

A. Handles every single routine taxpayer inquiry regardless of whether hardship is actually involved

B. Operates entirely outside any relationship whatsoever to the IRS as an organization

C. Requires taxpayers to pay a specific fee before TAS will agree to provide any assistance

D. Specifically addresses cases involving genuine hardship or unresolved systemic problems

42. A Taxpayer Assistance Order's specific directive to an IRS function should generally be evaluated by that function for:

A. Whether the specific IRS employee receiving the TAO personally agrees with its underlying substance
B. Compliance with the TAO's actual terms, subject to any recognized exception the function may properly raise
C. Whether complying would be more convenient for the IRS function's ordinary day-to-day workflow
D. Whether the taxpayer has separately and additionally filed a formal written complaint

43. An Enrolled Agent's practice rights extend to representing a taxpayer regarding a matter involving:

A. Only individual income tax matters, never estate, gift, or employment tax matters
B. Only matters the EA personally prepared the underlying filing for
C. An estate or gift tax issue, in addition to income and employment tax matters
D. Only matters involving amounts below a specific dollar threshold

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

A. The trust's specific type and its implications for the applicable tax treatment and representation scope
B. Only the trust document's specific physical page count and overall document length
C. Only the trustee's own personal choice of professional attire during meetings
D. Only the trust's specific choice of bank for holding trust accounts

45. A conflict check's scope for a matter involving multiple trust beneficiaries should generally extend to:

A. Each individual beneficiary, given their potential personal stake in trust-level tax matters

B. Only the trustee's own formal legal name, with no inquiry into individual beneficiaries
C. Only the trust's specific tax identification number assigned by the IRS
D. Only the trust's total number of years since it was originally established

46. A taxpayer's account transcript entry showing an offset applied to a federal debt other than tax generally reflects:

A. An error requiring the IRS to immediately reverse the offset with no further action needed
B. The Treasury Offset Program's application of a refund toward a separate qualifying federal or state debt
C. An entry unrelated to any actual government program, requiring no further explanation at all
D. A penalty specifically assessed against the taxpayer for an unrelated filing violation

47. A practitioner's analysis of a taxpayer's Collection Financial Standards eligibility for a specific expense category should generally verify:

A. Only the taxpayer's own personal preference for how the expense should be categorized
B. Only whether the taxpayer's specific expense receipt happens to be neatly organized
C. Whether the claimed expense genuinely falls within the recognized category and amount the standard actually allows
D. Only the specific store or vendor where the taxpayer made the underlying purchase

48. A requesting spouse's Innocent Spouse Relief claim involving domestic abuse as a relevant factor should generally be documented with:

A. No documentation whatsoever, since abuse-related claims are presumed automatically true without evidence
B. Only the requesting spouse's own general reputation within the local community
C. Only a formal criminal conviction of the other spouse for the alleged abuse
D. Available supporting evidence, while remaining sensitive to the genuinely difficult nature of the disclosure

49. A practitioner's evaluation of a requesting spouse's economic hardship for Equitable Relief purposes should generally consider:

A. Only the requesting spouse's personal opinion of what constitutes financial hardship generally
B. The requesting spouse's actual current income, expenses, and overall financial resources available
C. Only the couple's original combined income at the time the joint return was actually filed
D. Only the requesting spouse's specific job title at the time of the original filing

50. A practitioner's early assessment of potential criminal exposure in a matter involving significant unreported cash income should generally weigh:

A. Whether the pattern suggests deliberate concealment versus a genuine, good-faith recordkeeping failure
B. Only the specific total dollar amount of unreported income, regardless of the underlying circumstances
C. Only the client's overall general demeanor during a single initial consultation meeting
D. Only the specific industry in which the client's business happens to operate

51. A practitioner's referral to criminal defense counsel for a client facing potential exposure should generally occur:

A. Only after the client has already been formally indicted by a grand jury
B. Only if the client explicitly and specifically requests such a referral first
C. Never, since practitioners should always handle every aspect of a matter personally
D. As soon as the practitioner has a reasonable basis for believing genuine criminal exposure may exist

52. A Kovel arrangement's engagement letter should generally clearly establish:

A. That the accountant is working entirely independently of any attorney involvement whatsoever
B. That the accountant will report directly and exclusively to the IRS rather than the attorney
C. That the accountant is working at the attorney's direction to assist in providing legal advice
D. That the accountant's work is unrelated to any legal advice being provided to the client

53. A practitioner's case-building documentation for a matter involving a credibility dispute between the taxpayer and the IRS should generally include:

A. Only the taxpayer's own repeated restatement of the same account with no additional corroboration
B. Corroborating evidence supporting the taxpayer's version of events beyond the taxpayer's own statement alone
C. Only the practitioner's own personal assessment of which party seems more credible
D. Only a general assertion that the IRS is simply mistaken with no further detail provided

54. A practitioner's overall case assessment for a matter involving conflicting witness accounts should generally document:

A. The specific points of agreement and disagreement among the various accounts obtained
B. Only the single account the practitioner personally finds most credible, ignoring the others entirely
C. Only the total number of witnesses interviewed, with no further substantive detail
D. Only the order in which the various witnesses happened to be interviewed

55. A practitioner's overall case-building strategy for a matter involving a significant, approaching Collection Statute Expiration Date should generally:

A. Ignore the approaching CSED entirely and proceed at the practitioner's own normal, unhurried pace
B. Assume the CSED will automatically extend indefinitely with no further action required by anyone
C. Focus exclusively on the CSED itself with no attention paid to the underlying facts at all
D. Account for how the approaching CSED affects the range of available resolution strategies

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

A. Simply expresses a general preference for a faster overall resolution timeline
B. Changes the specific time of day preferred for future scheduled meetings

C. Asks a routine, general question about the overall status of the matter
D. Provides additional documents or information not available at the time of the initial assessment

57. A practitioner's case-building work for a matter involving a genuinely disputed legal standard's application to unusual facts should generally include:

A. Simply asserting the practitioner's own personal opinion with no supporting analysis conducted at all
B. Avoiding the disputed standard entirely and addressing only unrelated, more comfortable issues instead
C. Careful analysis of how the applicable standard has been applied in genuinely analogous prior situations
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 for a matter with incomplete initial information should generally reflect:

A. An assumption the incomplete initial information is already sufficient for a final, permanent assessment
B. A decision to simply decline the entire engagement due to the initial information being incomplete
C. A willingness to revise the assessment as additional information becomes genuinely available over time
D. A decision to proceed without ever attempting to gather any further additional information at all

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

A. Both substantively favorable and procedurally sound given the actual applicable rules
B. Achieved as quickly as possible regardless of whether the resolution is substantively favorable
C. Achieved regardless of whether proper procedural requirements were actually followed throughout
D. Favorable only in the practitioner's own subjective view, regardless of the taxpayer's actual objectives

60. A practitioner's overall case-building philosophy should generally reflect an understanding that thorough documentation:

A. Exists purely to satisfy an arbitrary bureaucratic formality with no genuine practical value
B. Serves the taxpayer's interests by supporting a credible, well-substantiated presentation of the case
C. Is primarily intended to impress the client with the practitioner's own apparent industriousness
D. Should be minimized wherever possible to reduce the practitioner's own overall workload

61. A taxpayer's Form 1127 request supported by documentation of an imminent, unavoidable major medical expense illustrates:

A. A category entirely outside the scope of what Form 1127 relief is actually intended to address
B. A recognized category of genuine undue hardship the form's standard is designed to address
C. Grounds for automatic denial, since medical expenses are treated as routine and non-hardship
D. A matter properly addressed only through a formal offer in compromise instead

62. A taxpayer's non-streamlined installment agreement should generally be structured to fully pay the balance:

A. Within exactly twelve months regardless of the specific balance owed or the remaining CSED
B. Within exactly seventy-two months regardless of the specific balance owed or the remaining CSED
C. With no defined time limit whatsoever, since non-streamlined agreements carry no time constraint
D. Within the remaining time before the Collection Statute Expiration Date, absent a separate waiver

63. A Doubt as to Collectibility offer's exclusion of certain retirement account value from RCP generally applies where:

A. The taxpayer simply prefers to preserve the retirement account for future personal use
B. The retirement account happens to be relatively small in its overall total value
C. Accessing the funds would trigger a specific hardship or the funds are otherwise genuinely inaccessible
D. The taxpayer has never previously made any withdrawal from the retirement account

64. A taxpayer's offer in compromise supported by documentation showing declining future income prospects should generally address:

A. How the projected future income figure used in RCP reasonably reflects this genuine declining trend
B. Only the taxpayer's total gross income from several years in the past
C. Only the taxpayer's personal, subjective opinion regarding future economic conditions generally
D. Only the specific industry's overall historical performance over recent decades

65. A taxpayer's lien discharge for property being sold generally requires the sale proceeds to be applied:

A. Entirely toward the taxpayer's own personal discretionary spending with no restriction whatsoever
B. Toward the outstanding tax liability, consistent with the applicable discharge conditions
C. Toward an entirely separate, unrelated debt the taxpayer owes to a different creditor
D. Toward the taxpayer's own retirement savings account exclusively

66. A levy's continuing attachment to a taxpayer's future commissions should generally prompt the practitioner to evaluate:

A. Whether a release is warranted given the taxpayer's overall current financial circumstances
B. Only the specific total dollar amount of commissions the taxpayer earned in the prior calendar year
C. Only the specific employer's overall industry classification for tax purposes
D. Only the specific date the taxpayer originally began working in the commission-based role

67. A Currently Not Collectible taxpayer's account should generally continue to reflect:

A. A frozen balance with no further interest or penalty accrual of any kind whatsoever
B. An automatic annual reduction in the underlying balance regardless of any payment made
C. The accruing interest and any applicable penalties on the underlying unpaid balance
D. A complete cessation of the collection statute's continued running during the CNC period

68. A taxpayer's CDP hearing regarding a proposed levy should generally be requested using:

A. Form 2848, Power of Attorney and Declaration of Representative
B. Form 8821, Tax Information Authorization
C. Form 656, Offer in Compromise
D. Form 12153, Request for a Collection Due Process or Equivalent Hearing

69. A TFRP assessment's finality following an unsuccessful administrative appeal generally leaves the responsible person with the option to:

A. No further recourse whatsoever, since administrative denial is treated as absolutely final
B. Pay a portion of the assessed amount and file a claim for refund to pursue judicial review
C. Automatically qualify for a complete abatement regardless of the appeal's actual outcome
D. Request that the business entity itself assume the entire personal liability instead

70. A practitioner representing a responsible person in a TFRP matter should generally evaluate the availability of:

A. Only the individual's own personal homeowner's insurance coverage for the assessed amount
B. Only the individual's own personal life insurance policy's cash value
C. Only the individual's own personal automobile insurance coverage limits
D. Contribution or indemnification rights against other responsible persons at the same business

71. A practitioner's Section 7525 privilege claim regarding communications with a client's in-house accountant generally requires establishing:

A. The in-house accountant holds a specific formal job title containing the word "senior"
B. The communication occurred during the client's normal business hours specifically
C. The accountant qualifies as a federally authorized tax practitioner and the communication concerned tax advice
D. The communication was copied to the client's outside legal counsel as a matter of course

72. A taxpayer's Cohan estimate supported by industry-standard cost data for a comparable expense should generally be evaluated by the practitioner for:

A. Whether the industry data genuinely and reasonably applies to the taxpayer's own specific circumstances
B. Only whether the industry data happens to be the most recently published data available
C. Only whether the industry data was compiled by a specifically well-known publishing organization
D. Only whether the industry data happens to be presented in a visually appealing chart format

73. A practitioner's review of an RAR's calculation methodology should generally verify:

A. Only whether the calculations were performed using a specific brand of calculator
B. Only the specific font used to display the calculated figures within the report
C. The mathematical calculations are actually accurate given the underlying figures and applicable rates
D. Only whether the calculations appear on an odd-numbered or even-numbered page

74. A taxpayer's response to a 30-day letter that includes a request for additional time to gather documentation generally should be:

A. Submitted with no specific reason provided, since the IRS is presumed to grant any extension automatically
B. Delayed until the very last possible day of the original 30-day response period
C. Combined with a simultaneous formal complaint against the examiner handling the matter
D. Submitted promptly, specifying the additional time genuinely needed and the reason for the request

75. A CP-2000 notice's proposed adjustment involving a Form 1099-K discrepancy should generally prompt verification of:

A. Only whether the specific payment processor's name is spelled correctly on the notice
B. Whether the reported gross payment amount was already included in the taxpayer's reported income elsewhere
C. Only the specific font size used to display the discrepancy amount on the notice

D. Only whether the notice includes a specific customer service phone number

76. A taxpayer's Tax Court petition contesting multiple tax years addressed in a single notice of deficiency should generally:

A. Clearly identify and address each contested year individually within the single petition
B. Address only the year the taxpayer personally considers most important, ignoring the others
C. Require filing an entirely separate petition for each individual contested tax year
D. Combine all years into a single undifferentiated total with no year-specific breakdown provided

77. A taxpayer's Appeals conference preparation for a matter involving a novel legal theory should generally include:

A. Thorough legal research supporting the theory's application to the taxpayer's specific facts
B. Simply asserting the theory without any supporting legal research or citation provided
C. Avoiding any mention of the novel theory to prevent inviting additional scrutiny
D. Deferring entirely to the Appeals Officer to independently identify any applicable legal theories

78. A taxpayer's decision to accept a partial Appeals settlement, resolving some but not all contested issues, should generally be documented to specify:

A. Only the Appeals Officer's own general policy views on the remaining unresolved issues
B. Only the specific conference room where the partial settlement was actually reached
C. Only the taxpayer's general overall satisfaction with the partial settlement reached
D. Which specific issues are resolved by the settlement and which, if any, remain unresolved

79. A taxpayer's small tax case election for a matter involving a modest, straightforward factual dispute is generally most appropriate where:

A. The taxpayer specifically wants to establish new, precedent-setting legal authority for future cases

B. Preserving appellate review carries little practical value given the matter's genuinely limited scope and stakes
C. The matter involves a genuinely complex, novel legal question requiring careful appellate consideration
D. The taxpayer's representative has never previously handled any tax matter of any kind

80. A taxpayer's formal written protest's conclusion section should generally:

A. Introduce entirely new arguments not previously raised anywhere earlier in the protest document
B. Simply repeat the introduction verbatim with no meaningful additional content provided
C. Summarize the key arguments and clearly restate the specific relief being requested
D. Be omitted entirely, since Appeals is presumed to draw its own independent conclusions

81. A taxpayer's Appeals settlement involving an agreed adjustment to a specific line item should generally be reflected in documentation that specifies:

A. Only the Appeals Officer's own general personal philosophy regarding that particular line item category
B. The specific line item, the agreed adjustment amount, and the resulting tax effect
C. Only the specific date the original return containing that line item was originally filed
D. Only the taxpayer's general overall satisfaction with how that specific issue was ultimately resolved

82. A taxpayer's decision to pursue Post-Appeals Mediation should generally be weighed against the genuine likelihood that:

A. The mediator will simply and automatically rule in the taxpayer's favor on every disputed point
B. Mediation will always take considerably longer than proceeding directly to formal Tax Court litigation
C. A neutral mediator could help the parties find common ground on the remaining unresolved issue
D. The mediator's involvement will result in an automatic increase in the taxpayer's proposed liability

83. A taxpayer's Appeals conference outcome resulting in a settlement more favorable than the taxpayer initially expected generally reflects:

A. A hazards-of-litigation assessment genuinely favoring the taxpayer's position on the specific issues involved
B. A clerical error the IRS will likely discover and subsequently correct at a later date
C. Grounds for automatic reopening of the settlement by the IRS at any point in the future
D. Proof the original examiner who proposed the adjustment acted with genuine bad faith throughout

84. A practitioner's overall approach to Appeals representation should generally reflect an understanding that the process is designed to:

A. Simply rubber-stamp whatever position the original examiner initially proposed in the RAR
B. Guarantee the taxpayer will prevail entirely regardless of the actual underlying facts and law
C. Delay the underlying matter indefinitely with no genuine intention of reaching any actual resolution
D. Provide a genuine opportunity for independent resolution before the matter proceeds to costly litigation

85. A preparer's independent review of a return remains valuable even for a client using the same software for years because:

A. IRS regulations specifically mandate a heightened review level only for long-term software users
B. Long-term software users are statistically more prone to committing deliberate fraud
C. The software's calculation engine degrades in accuracy the longer it remains actively in use
D. Each year's underlying facts and applicable tax law can genuinely differ from prior years

86. A preparer's discovery of a duplicate entry error should generally prompt considering whether:

A. The entire return must be discarded and restarted completely from scratch regardless of scope
B. The client should be immediately reported to the IRS for the identified duplicate entry
C. Similar entries elsewhere on the same return might reflect the same underlying data-entry issue
D. The preparer should cease using any tax preparation software entirely going forward

87. A preparer's Section 6107(b) obligation for a return prepared jointly with a colleague at the same firm generally rests with:

A. Whichever preparer is properly identified as the signing paid preparer of record for that return
B. Both preparers equally and independently, regardless of who is actually identified as the signing preparer
C. Neither preparer, since joint preparation is treated as exempting both from any individual obligation
D. Only the firm's overall managing partner, regardless of who actually prepared the specific return

88. A preparer's data security training for new staff should generally cover:

A. Only the firm's specific dress code policy unrelated to any data security topic
B. Recognizing phishing attempts and other common social engineering tactics targeting sensitive client data
C. Only the firm's specific procedure for requesting time off unrelated to any data security topic
D. Only the firm's specific procedure for submitting expense reimbursement requests

89. An IRS e-file Application's approval generally does NOT guarantee:

A. That the applicant has met the applicable suitability standards as of the time of approval
B. That the applicant will never subsequently face any suitability-related concern or compliance issue
C. That the applicant may begin participating in the e-file program consistent with the approved role
D. That the applicant's identity and background were reviewed as part of the application process

90. A firm's decision to designate a specific staff member as the primary point of contact for e-file compliance matters generally supports:

A. Clearer internal accountability and more consistent handling of e-file compliance issues
B. No genuine benefit whatsoever, since compliance responsibility is treated as inherently diffuse
C. A reduction in the firm's overall need for any staff training on e-file compliance topics

D. An exemption for all other staff members from any individual e-file compliance responsibility

91. A preparer's covered-return volume determination for a firm with multiple offices should generally be assessed:

A. Separately and entirely independently for each individual office location, regardless of shared ownership

B. Only for the specific office the firm considers its primary or main headquarters location

C. Based on whichever single office happens to have the highest overall return volume that year

D. On a firm-wide or preparer-specific basis, consistent with the applicable IRS guidance's actual methodology

92. A preparer's Form 8948 for a return involving a client without internet access should generally reference:

A. Only the preparer's own general opinion regarding the prevalence of internet access generally

B. Only the specific brand of internet service provider the client would otherwise have used

C. The specific recognized exception category addressing genuine lack of internet access, if applicable

D. Only the preparer's own personal internet service provider used at the firm's office

93. A preparer's Form 8944 hardship waiver renewal, if the underlying hardship circumstances continue, should generally:

A. Be submitted with updated documentation reflecting the continuing nature of the hardship

B. Never be necessary, since an initial approval automatically and permanently continues indefinitely

C. Require an entirely new application process identical to a completely first-time applicant

D. Be submitted with no supporting documentation of any kind, since prior approval is presumed sufficient

94. A taxpayer's Form 8879 signed using an electronic signature method should generally satisfy applicable requirements where the method:

A. Simply displays the taxpayer's typed name in a cursive-style computer font
B. Requires no identity verification of any kind whatsoever before the signature is captured
C. Reliably authenticates the taxpayer's identity and captures the taxpayer's genuine intent to sign
D. Is applied automatically by the software with no active taxpayer action required at all

95. An ERO's Form 8879 retention obligation applies even to a return the taxpayer later:

A. Never actually filed with the IRS despite having signed the authorization initially
B. Personally requests the ERO destroy immediately upon the taxpayer's specific request
C. Disputes having ever actually signed, since the dispute itself eliminates any retention obligation
D. Amends, since the original authorization still requires retention for its own applicable period

96. A preparer's confirmation of the current Form 8453 requirements each filing season should generally be treated as:

A. An unnecessary step, since the requirements are presumed to remain identical every single year
B. A routine part of the firm's annual preparation for the upcoming filing season
C. Relevant only if the firm actually experienced a specific Form 8453-related rejection the prior year
D. A task appropriately delegated entirely to the client rather than the preparer's own firm

97. A rejected return's perfection period correction should generally be prioritized based on:

A. The proximity of the applicable filing deadline and the complexity of the correction actually needed
B. Only the alphabetical order of the affected taxpayers' last names
C. Only the specific time of day the original rejection notice happened to be received
D. Only the total number of years the firm has represented that particular taxpayer

98. A preparer's overall response protocol for identity theft-related rejections should generally be documented to ensure:

A. Each staff member develops an entirely individualized approach with no firm-wide consistency required
B. Consistent handling across the firm regardless of which specific staff member encounters the rejection
C. Only the firm's most senior staff member is ever permitted to handle such rejections
D. The protocol remains entirely undocumented, relying instead on informal staff communication alone

99. A preparer's overall e-file compliance program should generally be reviewed for effectiveness by:

A. Simply assuming the program is effective indefinitely once it has initially been established
B. Relying entirely on client feedback alone with no internal firm review conducted
C. Periodically assessing whether rejections, complaints, or compliance gaps reveal a need for improvement
D. Waiting for an actual formal IRS audit before ever assessing the program's effectiveness

100. An e-file Provider's overall dedication to compliance ultimately reflects a broader professional commitment to:

A. Minimizing the Provider's own administrative workload with no regard to broader system integrity
B. Maximizing the Provider's own individual profit with no regard to client service quality
C. Satisfying only the minimum technical requirements with no genuine commitment to quality service
D. Serving clients competently while upholding the integrity of the broader tax administration system

Practice Exam 12: Answer Key and Explanations

1. A — A—EA practice rights generally exist independently of any particular state's own separate professional licensing scheme, since enrollment is a federal credential under Treasury's authority. These rights are not independent of continuing education compliance, are not independent of Circular 230 conduct standards, and are not independent of timely renewal on the applicable cycle.

2. C — C—CE records should be retained long enough to demonstrate compliance if the IRS or OPR requests verification, since practitioners may be selected for a CE audit. This is not a purely symbolic formality lacking genuine purpose, is not intended to qualify for an unrelated credential, and does not itself increase advertised years of experience.

3. D — D—A hardship waiver request should be supported by genuine documentation of the specific circumstances actually preventing timely completion of the requirement in question. A general unsupported workload preference statement, confirming no prior waiver requests, and guaranteeing double completion in the next cycle are not themselves the proper supporting basis for such a request.

4. B — B—An informal caution reflects OPR's judgment that the conduct, while genuinely concerning enough to warrant some response, did not rise to a level warranting full formal proceedings. This does not reflect a complete absence of concerning conduct, does not automatically and permanently bar future formal proceedings, and is not binding in unrelated future matters.

5. B — B—Due diligence requires a reasonable inquiry into the actual claimed business-use percentage and the supporting mileage records, not necessarily a personal physical vehicle inspection. Personally inspecting the odometer is not required, automatic disallowance above an arbitrary percentage is inappropriate, and no inquiry at all under any circumstances misstates this reasonable-inquiry standard.

6. A — A—Proper disclosure of a position with only reasonable basis satisfies Section 10.34's standard for signing despite the comparatively weaker authority level involved in the position. This is not governed by no applicable standard at all, is not a heightened standard exclusive to attorneys, and does not require a separate additional written client acknowledgment.

7. C — C—The prohibition does not extend to an amended return filed specifically in connection with an examination, a recognized exception distinct from the original return preparation itself. The original return remains squarely covered by the general prohibition, and a duplicate personal-records copy or a separate unrelated year's original return are not the relevant exception scenario here.

8. D — D—Font size used to display the fee amount is entirely irrelevant to fee reasonableness and should never itself factor into this specific evaluation at all. Matter complexity, time genuinely required, and results actually achieved are all substantive factors this reasonableness analysis does properly and appropriately consider under the applicable rules.

9. D — D—Comparative advertising naming a specific competitor is permitted only where the comparison is truthful, genuinely substantiated, and not otherwise misleading to prospective clients considering the firm. It is not categorically banned outright, is not permitted regardless of accuracy, and does not require the named competitor's prior written consent to be included.

10. A — A—This analysis carefully considers applicable post-employment restrictions and whether confidential government information obtained during IRS employment could be improperly used in the current specific matter. Years elapsed alone, the practitioner's personal feelings about IRS employment, and the specific former division are not themselves the substantive factors this analysis turns on.

11. B — B—Proper documentation for this specific conflict scenario addresses whether applicable post-employment restrictions have actually been properly satisfied before the practitioner proceeds with the matter. The client's opinion of former government service, the practitioner's former salary, and the former title alone are not themselves the substantive content this documentation should focus on.

12. C — C—Effective onboarding procedures should generally include genuine training on Circular 230 standards and the firm's own internal compliance expectations for all new staff members hired. Holiday schedule and PTO training, parking assignment procedures, and cafeteria usage rules are all unrelated administrative matters, not the substance this specific compliance-focused onboarding should address.

13. C — C—This violation requires evidence the practitioner knew or recklessly disregarded the statement's actual falsity at the specific time it was made, establishing genuine culpability. A subjective belief the underlying position was correct, charging a fee, and prior representation of an unrelated client do not themselves establish the required knowledge or recklessness.

14. D — D—This accuracy obligation extends to the taxpayer's factual circumstances as genuinely understood and communicated by the practitioner in dealings with the IRS. It is not limited to only representations the IRS specifically requests in writing, is not limited to a formal Appeals conference, and applies during, not only after, a matter concludes.

15. A — A—A properly drafted opinion should clearly identify the assumption as such, genuinely distinguishing it from facts that have already been independently verified by the practitioner. Presenting an assumed fact as already verified with no distinction, omitting the assumption entirely, and guaranteeing future documentation will materialize all undermine the opinion's genuine analytical integrity.

16. B — B—Competence regarding a recent legislative change requires reasonable diligence in genuinely understanding the change's actual practical application before advising the client on the matter at hand. Immediate comprehensive mastery is unrealistic, indefinitely deferring until formal regulations issue is often impractical, and relying solely on the client's own understanding is inappropriate.

17. A — A—Including such a disclaimer is a recommended practice that genuinely supports the overall accuracy of any results-related claims made in advertising materials. It is not legally required in every single instance, is not irrelevant to whether the underlying claim is misleading, and does not alone fully cure an otherwise genuinely misleading claim.

18. C — C—Section 10.20 applies to records the practitioner actually possesses or has ready access to, not records never actually received or confirmed to genuinely exist. It does not extend to records merely heard about secondhand, purely hypothetical internal training materials, or records the practitioner merely believes might theoretically exist without confirmation.

19. B — B—Failing to identify available first-time penalty abatement eligibility most directly reflects on the practitioner's own competence and diligence in staying current on available relief mechanisms and options generally. The practitioner's personal finances, physical health, and outside personal relationships are all unrelated to this specific professional competence shortfall regarding available relief.

20. D — D—This conflict analysis distinguishes between the business's own interests and the departing employee's own potentially divergent personal interests in the specific dispute at hand. Which party has been a client longer, geographic proximity to the office, and the specific severance amount are not themselves the substantive factors this analysis turns on.

21. A — A—Confidentiality obligations apply regardless of whether the client's matter ultimately resulted in a favorable or unfavorable outcome, since the duty is not outcome-contingent. It applies regardless of whether the practitioner handled the matter personally versus delegating to staff, regardless of full fee payment, and regardless of administrative versus litigated resolution.

22. D — D—Declining representation of a genuinely frivolous position, despite client insistence, is an appropriate exercise of professional judgment consistent with Circular 230's actual standards. There is no implied duty to pursue any position regardless of merit, this decision carries genuine professional significance, and no prior court ruling is required to properly decline.

23. C — C—This accuracy obligation extends to both what the taxpayer actually did factually and what the applicable law actually requires as a legal matter, covering both dimensions. It is not limited only to factual representations, is not limited only to legal representations, and is not limited only to purely numerical calculations.

24. B — B—A suspension does not itself prevent the practitioner from continuing non-representative employment at a tax preparation firm during the suspension, such as internal administrative work being performed. It does prevent practicing before the IRS during the suspension, including representing taxpayers in examinations and at Appeals conferences during that specific period.

25. D — D—Combining a monetary penalty with disbarment reflects OPR's determination that the violation's severity warrants both the most serious practice restriction and a genuine financial consequence together. This combination is not a drafting error, does not automatically double any penalty amount, and does not reflect only minor misconduct warranting a mere warning.

26. B — B—Reinstatement requires demonstrating changed circumstances through concrete evidence specifically addressing the original conduct that led to the disbarment in the first place. A bare assertion that time has passed with no further evidence, merely paying a fee with no substantive showing, and a single associate's character letter alone are all insufficient.

27. A — A—A conflict arising during litigation requires promptly notifying affected parties and genuinely evaluating whether continued joint representation remains appropriate under the changed circumstances present. Continuing unchanged with no disclosure, automatically withdrawing from all parties with no evaluation, and waiting until litigation concludes are all inappropriate responses to this evolving conflict.

28. C — C—Section 10.33 extends to communications about both the engagement's initial scope and the practical implications of significant developments occurring during the ongoing matter. It is not limited only to initial scope, is not limited only to subsequent developments, and does not address only fee arrangements, which are covered under separate provisions.

29. B — B—Section 10.34 applies to a position in an informal written IRS response the same way it applies to an original return position, since both share the same underlying standards. It is not limited only to formal Tax Court litigation positions, is not limited only to business entity matters, and informal responses are not entirely unregulated.

30. C — C—A sound approach includes regularly and independently monitoring OPR guidance, relevant case law, and updates to the regulation itself over time. Relying exclusively on unverified colleague conversations, checking only at initial enrollment with no further monitoring, and waiting for a formal complaint before researching all fall short of this genuinely sound approach.

31. D — D—These obligations ultimately serve the dual purpose of protecting individual taxpayers who rely on practitioner expertise and the broader integrity of tax administration generally. They do not exist solely to protect the practitioner's own reputation, are not solely about IRS institutional efficiency, and are not designed to protect competing practitioners' interests.

32. A — A—A proper power of attorney identifies the specific representative using the full name and applicable identifying credential number, such as a CAF number, ensuring clarity. Using only a first name, only the firm's name with no individual named, and a general role description with no specific name are all insufficiently specific identifications.

33. C — C—Authorization for a specific function like Collection does not automatically extend to a different function like Examination without separate authorization actually specified. It does not automatically extend to every function regardless of what is specified, is not invalid unless covering every function, and does not require an entirely separate form for each function.

34. A — A—The power of attorney remains valid for communications with a successor employee assigned to the matter after the original employee leaves the position or is reassigned. A brief vacation, attending a short training conference, and temporarily working from a different location do not themselves affect the underlying authorization's continued validity.

35. B — B—Tolling due to bankruptcy generally continues for the duration of the automatic stay plus a specified additional period after the stay actually lifts, per applicable statutory provisions. It is not a single fixed thirty-day period, bankruptcy filings genuinely do trigger tolling, and the tolling does have a defined end point tied to the case's status.

36. D — D—This decision should weigh the genuine benefits of additional time to resolve the matter against the real risks of extending the IRS's assessment authority further. The specific employee's personal preference, the specific calendar date of the request, and general institutional feelings are not themselves the substantive factors this decision should turn on.

37. B — B—A published Revenue Procedure carries genuine authoritative weight as official published IRS guidance, even though its subject matter is typically administrative or procedural in nature. It is not without authoritative weight, is not inferior to an informal FAQ, and unlike a private ruling, is not limited to a single requesting taxpayer.

38. D — D—A directly adverse precedent from a factually similar case, even if not strictly binding on the current taxpayer, genuinely weakens the position's prospects as persuasive contrary authority. This is not entirely without effect simply because a different taxpayer was involved, does not automatically bar ever raising the position again, and does not guarantee success.

39. A — A—Reliance on commentary-supported reasoning, absent formal authority, generally reflects a reasonable basis argument, though genuinely weaker than a position backed by formal IRS or judicial authority. This is not automatically frivolous, does not carry weight identical to a binding regulation, and does not itself guarantee automatic penalty relief regardless of other facts.

40. C — C—A criminal evasion charge requires proving an affirmative act plus a genuine tax deficiency and the taxpayer's actual willfulness in attempting to evade the tax owed. Simply owing some tax amount, containing any return error regardless of intent, and a prior unrelated audit do not themselves satisfy this specific heightened criminal burden of proof.

41. D — D—TAS is distinguished from general customer service by its specific focus on cases involving genuine hardship or unresolved systemic problems, not routine inquiries generally handled. TAS does not handle every routine inquiry regardless of hardship, does maintain an organizational relationship to the IRS, and charges no fee for its assistance.

42. B — B—An IRS function receiving a TAO should evaluate compliance with the TAO's actual terms, subject to any recognized exception the function may properly and legitimately raise. This is not evaluated based on an individual employee's personal agreement, mere workflow convenience, or whether the taxpayer has separately filed an additional complaint.

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

44. A — A—A proper preliminary assessment confirms the trust's specific type and its genuine implications for the applicable tax treatment and the actual scope of representation needed. The document's physical page count, the trustee's attire choice, and the specific bank used are not themselves the substantive factors this initial assessment should focus on.

45. A — A—A thorough conflict check for a trust matter should extend to each individual beneficiary, given their genuine potential personal stake in trust-level tax matters and outcomes. The trustee's formal legal name alone, the trust's tax ID number, and its years since establishment are not themselves sufficient without this broader beneficiary-level inquiry.

46. B — B—Such an entry generally reflects the Treasury Offset Program's application of a refund toward a separate qualifying federal or state debt the taxpayer owes elsewhere. It is not itself an error requiring automatic immediate reversal, is not unrelated to any actual government program, and is not itself a penalty for an unrelated filing violation.

47. C — C—A proper analysis verifies whether the claimed expense genuinely falls within the recognized category and the specific amount the applicable standard actually allows for that category.

The taxpayer's own categorization preference, receipt organization neatness, and the specific vendor used are not themselves the substantive factors this verification should focus on.

48. D — D—Such a claim should be documented with available supporting evidence, while the practitioner remains genuinely sensitive to the difficult and sensitive nature of this disclosure. It should not go undocumented on a presumption of automatic truth, is not established through general community reputation, and does not require a formal criminal conviction as a prerequisite.

49. B — B—This evaluation considers the requesting spouse's actual current income, expenses, and overall financial resources genuinely available at the time relief is being considered. The requesting spouse's own subjective opinion of hardship, the couple's original combined income at filing, and the original job title are not themselves this specific relevant factor.

50. A — A—A sound assessment weighs whether the underlying pattern suggests deliberate concealment, as opposed to a genuine, good-faith recordkeeping failure or oversight. The total dollar amount alone regardless of circumstances, the client's general demeanor at one meeting, and the specific industry alone are not themselves the substantive factors this assessment should focus on.

51. D — D—A referral should generally occur as soon as the practitioner has a reasonable basis for believing genuine criminal exposure may exist in the matter. Waiting for formal indictment, waiting for the client's explicit request, and never referring at all despite genuine exposure all risk serious, avoidable harm to the client's interests.

52. C — C—A proper Kovel engagement letter should clearly establish that the accountant is working at the attorney's direction specifically to assist in providing legal advice to the client. It should not establish independence from attorney involvement, should not establish reporting directly to the IRS, and should not establish that the work is unrelated to legal advice.

53. B — B—Documentation for a genuine credibility dispute should generally include real corroborating evidence supporting the taxpayer's specific account beyond mere repetition of the taxpayer's own unsupported statement. Repeated restatement alone, the practitioner's own personal credibility assessment, and a bare unsupported assertion the IRS is mistaken are all insufficient without independent corroboration.

54. A — A—A proper assessment carefully documents the specific points of agreement and disagreement among the various witness accounts genuinely obtained during the entire investigation. Documenting only the practitioner's personally favored account while ignoring others, only a witness count, and only interview order all fail to capture this genuinely useful comparative analysis.

55. D — D—A sound strategy accounts for how the approaching CSED genuinely affects the range of available resolution strategies, since timing meaningfully constrains the available options here. Ignoring the approaching CSED entirely, assuming automatic indefinite extension, and focusing only on the CSED with no attention to underlying facts are all inappropriate approaches.

56. D — D—The preliminary assessment should be revisited when the taxpayer provides additional documents or information genuinely not available at the time of the initial assessment conducted. A mere preference for a faster timeline, a meeting-time preference change, and a routine status inquiry do not themselves warrant revisiting the substantive preliminary assessment.

57. C — C—Case-building here should include careful analysis of how the applicable standard has genuinely been applied in analogous prior situations to inform the current unusual facts. Simply asserting personal opinion with no analysis, avoiding the disputed standard entirely, and deferring entirely to client preference all fail to properly address this genuine challenge.

58. C — C—A sound approach should reflect genuine willingness to revise the assessment as additional information becomes genuinely available over the entire course of the representation. Assuming incomplete information is already sufficient for a final assessment, declining the engagement outright due to incompleteness, and never attempting further information gathering are all inappropriate.

59. A — A—The genuine aim of case-building is positioning the matter for a resolution that is both substantively favorable and procedurally sound given the actual applicable rules and process. It does not prioritize speed over genuine favorability, does not disregard proper procedural requirements, and is not merely favorable in the practitioner's own subjective view alone.

60. B — B—This philosophy should reflect the understanding that thorough documentation genuinely serves the taxpayer's interests by supporting a credible, well-substantiated presentation of the case. It is not a purely arbitrary bureaucratic formality lacking practical value, is not primarily meant to impress the client, and should not be minimized merely to reduce workload.

61. B — B—An imminent, unavoidable major medical expense illustrates a genuinely recognized category of undue hardship the Form 1127 standard is specifically designed to address. This is not outside the form's actual intended scope, does not result in automatic denial as merely routine, and is not properly addressed only through an offer in compromise instead.

62. D — D—A non-streamlined agreement should generally be structured to fully pay the balance within the remaining time before the CSED, absent a separate applicable waiver. It is not fixed at exactly twelve months or exactly seventy-two months regardless of the actual balance and CSED, and it does carry a genuine time constraint tied to the CSED.

63. C — C—This exclusion generally applies where accessing the retirement funds would trigger a specific recognized hardship or the funds are otherwise genuinely inaccessible under applicable rules. A mere personal preference to preserve the account, the account being relatively small, and no prior withdrawal history do not themselves trigger this specific exclusion from RCP.

64. A — A—An offer supported by declining income evidence should address how the projected future income figure used in the RCP calculation reasonably reflects this genuine declining trend. Past gross income from years ago alone, the taxpayer's own subjective economic opinion, and the industry's broad historical performance are not themselves this specific relevant content.

65. B — B—A discharge for property being sold generally requires the sale proceeds be applied toward the outstanding tax liability, consistent with the applicable discharge conditions imposed. Proceeds are not left entirely to the taxpayer's own unrestricted discretionary spending, are not applied toward an unrelated separate debt, and are not directed toward retirement savings.

66. A — A—This continuing attachment should prompt evaluating whether a release is warranted given the taxpayer's overall current financial circumstances at the present time. The prior year's specific commission total, the employer's industry classification, and the taxpayer's start date in the role are not themselves the substantive factors this evaluation should focus on.

67. C — C—A CNC account should continue to reflect accruing interest and applicable penalties on the underlying unpaid balance throughout the CNC period, since the liability remains intact. The balance is not frozen with no further accrual, does not automatically reduce annually with no payment made, and the collection statute continues running normally, not ceasing.

68. D — D—Form 12153 is the specific form used to request a CDP or equivalent hearing regarding a proposed levy or a filed Notice of Federal Tax Lien. Forms 2848 and 8821 are authorization forms with different purposes, and Form 656 submits an offer in compromise, none serving as the proper vehicle for this specific CDP hearing request.

69. B — B—Following an unsuccessful administrative appeal, the responsible person may generally pay a portion of the assessment and file a refund claim to pursue judicial review of the matter. This is not a complete dead end with no further recourse, does not automatically produce abatement regardless of outcome, and the business cannot simply assume the individual's personal liability.

70. D — D—A proper evaluation should include the availability of contribution or indemnification rights against other genuinely responsible persons at the same business who share liability. Homeowner's insurance, life insurance cash value, and automobile insurance are all unrelated to TFRP liability and not the proper source of relief this evaluation should focus on.

71. C — C—Asserting this privilege requires establishing the accountant genuinely qualifies as a federally authorized tax practitioner and that the communication actually concerned genuine tax planning advice. A specific "senior" job title, the timing during normal business hours, and copying outside counsel are not themselves the required elements this privilege claim demands.

72. A — A—The practitioner should evaluate whether the industry-standard data genuinely and reasonably applies to the taxpayer's own specific circumstances, not merely whether the data exists generally. Mere recency of publication, the publisher's general reputation, and the data's visual presentation format are not themselves the substantive relevance this evaluation should focus on.

73. C — C—A proper review verifies the mathematical calculations are actually accurate given the underlying figures and applicable tax rates used in the proposed adjustment. Which calculator brand was used, the specific display font, and whether calculations appear on an odd or even page are all irrelevant to this genuine substantive mathematical verification.

74. D — D—Such a request should be submitted promptly, specifying the genuinely needed additional time and providing the actual reason supporting the request. Submitting with no reason provided, delaying until the last possible day, and combining it with a formal complaint against the examiner are all inappropriate approaches to this specific request.

75. B — A—This should prompt careful verification of whether the reported gross payment amount was already included in the taxpayer's reported income through another line item. The processor's name spelling, the specific font size, and whether a phone number is included are all irrelevant to this genuine substantive verification actually needed here.

76. A — A—A proper petition should clearly identify and address each contested tax year individually within the single filed petition, ensuring the Court has jurisdiction over each year raised. Addressing only the personally most important year, requiring entirely separate petitions per year, and combining years without breakdown are all inappropriate or unnecessary approaches.

77. A — A—Preparation for a matter involving a novel legal theory should include thorough legal research genuinely supporting the theory's application to the taxpayer's own specific facts presented. Simply asserting the theory with no research, avoiding mention entirely, and deferring entirely to the Officer to identify theories independently all fail to properly prepare.

78. D — D—Proper documentation for a genuine partial settlement should specify which specific issues are actually resolved by the settlement and which, if any, genuinely remain unresolved going forward carefully. The Officer's general policy views, the specific conference room location, and the taxpayer's general satisfaction are not themselves this required documentation content.

79. B — B—This particular election is generally most appropriate where preserving appellate review carries little practical value, given the matter's genuinely limited scope and modest stakes actually involved. Wanting to establish new precedent, involving a genuinely complex novel legal question, and the representative's total inexperience all counsel toward the regular procedure instead.

80. C — C—A proper conclusion section should always carefully summarize the key arguments already presented and clearly restate the specific relief the taxpayer is actually requesting from Appeals. Introducing entirely new arguments at this late stage, merely repeating the introduction verbatim, and omitting the conclusion entirely all undermine an effectively structured protest.

81. B — B—Proper documentation should clearly specify the specific line item involved, the actual agreed adjustment amount, and the resulting genuine tax effect of that specific settlement reached. The Officer's general philosophy regarding the category, the original filing date, and the taxpayer's general satisfaction are not themselves this required specific documentation content.

82. C — C—This decision should be weighed against the genuine likelihood that a neutral mediator could actually help the parties find common ground on the remaining unresolved issue. The mediator does not simply rule in either party's favor automatically, mediation does not always take longer than full litigation, and it does not automatically increase the proposed liability.

83. A — A—A more favorable than expected outcome generally reflects a genuine hazards-of-litigation assessment that favored the taxpayer's position on the specific issues actually involved. This is not itself a clerical error likely to be later discovered and corrected, does not create automatic reopening grounds, and does not itself prove the examiner acted in bad faith.

84. D — D—Appeals is designed to provide a genuine opportunity for independent resolution before the matter proceeds to costly, time-consuming litigation for either side. It is not designed to simply rubber-stamp the examiner's position, does not guarantee taxpayer victory regardless of the facts, and is not designed for indefinite delay without genuine resolution intent.

85. D — D—Independent review remains valuable because each year's underlying facts and applicable tax law can genuinely differ from prior years, regardless of software familiarity. There is no regulation mandating heightened review specifically for long-term users, no statistical fraud-proneness basis, and software calculation accuracy does not itself degrade merely from continued use over time.

86. C — A—Discovering one duplicate entry should prompt considering whether similar entries elsewhere on the same return might reflect the same underlying data-entry issue recurring. It does not require discarding and restarting the entire return from scratch, does not require reporting the client to the IRS, and does not require abandoning tax software entirely.

87. A — D—This recordkeeping obligation generally rests with whichever preparer is properly identified as the signing paid preparer of record for that specific return prepared. It does not automatically rest equally with both preparers regardless of signing status, joint preparation does not exempt anyone from the obligation, and it does not automatically rest with the managing partner.

88. B — B—Proper data security training should always cover genuinely recognizing phishing attempts and other common social engineering tactics that specifically target sensitive client data and systems. The firm's dress code, time-off request procedure, and expense reimbursement procedure are all unrelated administrative matters, not the substance genuine data security training should address.

89. B — B—Approval does not guarantee the applicant will never subsequently face any future suitability concern or compliance issue, since ongoing compliance remains genuinely required throughout. It does reflect that applicable suitability standards were met as of approval, that the applicant may begin program participation, and that identity and background were reviewed.

90. A — A—Designating a primary point of contact supports clearer internal accountability and more genuinely consistent handling of e-file compliance issues as they arise within the firm. This is not without genuine benefit, does not reduce the overall need for broader staff training, and does not exempt other staff from their own individual compliance responsibilities.

91. D — D—This determination should be assessed on a firm-wide or preparer-specific basis, consistent with the actual methodology the applicable IRS guidance genuinely establishes for this purpose. It is not necessarily assessed entirely separately per office regardless of shared ownership, not limited only to a headquarters office, and not based on the single highest-volume office.

92. C — C—Form 8948 should reference the specific recognized exception category addressing a genuine lack of internet access, provided that specific exception genuinely and actually applies here. It should not merely reference the preparer's own general opinion about internet prevalence, a specific provider brand, or the preparer's own unrelated personal internet service.

93. A — A—A renewal request should generally be submitted with updated documentation reflecting the genuinely continuing nature of the hardship circumstances still actually present at that time. Renewal is not automatically unnecessary since approvals do not permanently continue indefinitely, does not require treatment identical to a first-time application, and does require genuine supporting documentation.

94. C — C—An acceptable electronic signature method must reliably authenticate the taxpayer's identity and genuinely capture the taxpayer's actual intent to sign the specific document itself. Merely displaying a cursive-style typed name, requiring no identity verification, and being applied automatically with no active taxpayer action do not themselves satisfy these genuine requirements.

95. D — D—The retention obligation applies even to a return the taxpayer later amends, since the original authorization still requires retention for its own separately applicable period. This scenario differs from a return never actually filed, from a taxpayer's destruction request (which the ERO should not simply honor), and from a taxpayer's later signature dispute.

96. B — A—This confirmation should be treated as a routine, standard part of the firm's own annual preparation for the upcoming filing season each year. It is not unnecessary since requirements can genuinely change year to year, is not relevant only following a prior specific rejection, and is not properly delegated entirely to the client.

97. A — A—Correction priority should generally be based on the proximity of the applicable filing deadline and the genuine complexity of the correction actually needed for each return. Alphabetical order of last names, the specific time the rejection was received, and years representing the taxpayer are not themselves the proper basis for this prioritization.

98. B — B—A documented protocol ensures consistent handling across the entire firm regardless of which specific staff member happens to encounter the identity theft rejection in question. Individualized approaches with no consistency, restricting handling only to the most senior staff member, and leaving the protocol entirely undocumented all undermine reliable, consistent handling.

99. C — A—Effectiveness should generally be reviewed by periodically and carefully assessing whether rejections, client complaints, or identified compliance gaps genuinely reveal a need for program improvement over time. Assuming indefinite effectiveness without review, relying entirely on client feedback alone, and waiting for a formal IRS audit all reflect inadequate ongoing self-assessment.

100. D — D—This overall dedication ultimately reflects a broader professional commitment to serving clients competently while genuinely upholding the integrity of the tax administration system. It is not about minimizing workload with no regard to integrity, is not about maximizing profit with no regard to service quality, and is not merely minimum technical compliance.