# PRACTICE EXAM 13: 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 initial enrollment through the examination path generally requires passing all three parts of the SEE within:

A. A mandatory single testing session covering all three parts simultaneously with no separate attempts allowed

B. Exactly six months from the date the first part is initially attempted by the candidate

C. A period requiring all three parts to be passed in the exact same calendar year

D. No specific window between individual parts, though enrollment itself must follow within one year of completing all three

**2.** A practitioner's enrollment status displayed in the IRS's public directory generally reflects:

A. The practitioner's current standing as of the directory's most recent update, subject to some lag

B. A permanently fixed, unchanging record that never reflects any subsequent status change whatsoever

C. Only the practitioner's original enrollment date with no indication of current active status

D. A private record accessible only to the specific practitioner and never to the general public

**3.** A practitioner's continuing education hours earned through self-study generally must satisfy:

A. No requirements whatsoever, since self-study is treated as entirely outside any qualifying category

B. A requirement that the self-study material be personally authored by the practitioner

C. The specific requirements applicable to self-study programs under the relevant IRS-approved provider standards

D. A requirement limiting self-study to no more than one total hour per full three-year cycle

**4.** A practitioner's obligation to notify the IRS of a change in mailing address generally exists to:

A. Satisfy a purely symbolic administrative requirement carrying no genuine practical significance

B. Ensure the practitioner continues receiving important communications regarding enrollment and any disciplinary matters

C. Allow the IRS to calculate the practitioner's applicable continuing education fee more precisely

D. Enable the IRS to determine which specific state's bar association the practitioner should register with

**5.** OPR's authority to issue an expedited suspension under Section 10.82 generally applies where a practitioner has:

A. Simply disagreed with an IRS examiner's proposed adjustment during a routine examination

B. Requested a reasonable extension of time to respond to a routine IRS notice

C. Declined to accept a new client due to a scheduling conflict

D. Had a license to practice a profession suspended or revoked for cause by another authority

**6.** A practitioner's due diligence obligation regarding a client's claimed dependent care credit generally requires:

A. A reasonable inquiry into the actual care provider and qualifying expenses genuinely claimed

B. Independent verification directly with the specific care provider named on the return

C. Automatic disallowance of any dependent care credit claim exceeding a specific fixed dollar amount

D. No inquiry whatsoever, since dependent care credit claims are presumed accurate automatically

**7.** A practitioner's advice regarding a position supported by a favorable Private Letter Ruling issued to a different taxpayer generally should:

A. Treat the PLR as fully binding precedent applicable identically to the current client's situation
B. Note that the PLR is not binding precedent, though it may still offer some persuasive insight
C. Ignore the PLR entirely, since it is treated as carrying absolutely no relevance whatsoever
D. Guarantee the current client will achieve the same favorable result the PLR reflects

**8.** A contingent fee arrangement for representation in a matter involving a state, rather than federal, refund claim connected to a federal examination generally is:

A. Governed entirely and exclusively by Circular 230's federal contingent fee provisions
B. Prohibited entirely regardless of what applicable state law actually provides on the matter
C. Governed primarily by state law rather than Circular 230's federal contingent fee provisions
D. Permitted only if the connected federal examination has already been fully and finally resolved

**9.** A practitioner's fee arrangement structured as a flat fee for a matter of uncertain, potentially extensive scope generally should be:

A. Clearly defined regarding what services are included, to avoid later disputes over scope
B. Left deliberately vague regarding scope, giving the practitioner maximum future billing flexibility
C. Set at the highest amount the practitioner believes the client might conceivably be willing to pay
D. Structured with no written documentation at all, relying entirely on a verbal understanding

**10.** A practitioner's advertisement listing specific credentials should generally ensure the listed credentials are:

A. As numerous as possible, regardless of whether each one is actually currently held and valid
B. Limited exclusively to credentials obtained within the past twelve months
C. Currently held and accurately described, not lapsed, revoked, or otherwise misrepresented
D. Presented without any specific detail regarding the issuing organization or credentialing body

**11.** A practitioner's conflict of interest analysis for representing a taxpayer whose position directly conflicts with a position the practitioner previously advocated for a different client generally should evaluate:

A. Only the total elapsed time since the prior, unrelated matter concluded

B. Only whether the practitioner personally believes the new position is the objectively better legal argument

C. Only whether the prior client has since become entirely unreachable for consultation purposes

D. Whether taking the inconsistent position would improperly use confidential information from the prior matter

**12.** A practitioner's written consent documentation for representing two clients with a positional conflict, but no actual adversity, should generally still address:

A. Only the practitioner's own personal assessment of which client's position is more likely correct

B. How the practitioner will handle the situation if the positions later become genuinely adverse

C. Only the specific total combined fee the practitioner will charge across both engagements

D. Only whether the two clients have ever personally met one another in person

**13.** A firm's Section 10.36 procedures should generally include periodic internal review to confirm:

A. The firm's overall office temperature remains consistently comfortable for staff and clients alike

B. The procedures remain genuinely effective given the firm's current operations and applicable rules

C. The firm's specific choice of office furniture vendor remains the most cost-effective option available

D. The firm's specific holiday party planning committee has been properly and timely assembled

**14.** A practitioner's Section 10.51(a)(4) violation for false statements generally may be established through a pattern involving:

A. Multiple instances across different client matters, not necessarily a single isolated matter alone

B. Only a single specific client's matter, with no other matter ever being relevant to establishing the pattern

C. Only statements made during a single specific calendar year with no other year ever being relevant

D. Only statements made to a single specific IRS employee with no other employee ever being relevant

**15.** A practitioner's obligation regarding accuracy of representations to the IRS generally requires correcting a prior representation the practitioner later learns was:

A. Merely stylistically imprecise in a way carrying no genuine substantive significance
B. Technically accurate but phrased in a way the practitioner would now word differently
C. Materially inaccurate, promptly upon discovering the actual inaccuracy
D. Accurate at the time it was made but has since become outdated due to subsequent unrelated events

**16.** A practitioner's written tax opinion prepared for a matter later determined to involve a listed transaction should generally have been prepared with:

A. The exact same level of scrutiny applicable to an entirely ordinary, routine transaction
B. No particular scrutiny at all, since listed transactions are treated as presumptively legitimate
C. A guarantee to the client that the transaction would definitely withstand IRS challenge
D. Heightened scrutiny and disclosure appropriate to the elevated risk such transactions carry

**17.** A practitioner's competence obligation regarding a matter requiring knowledge of a foreign jurisdiction's tax treaty provisions generally requires:

A. Either developing sufficient understanding through research or consulting a practitioner with relevant expertise
B. Automatic acceptance of the matter regardless of the practitioner's actual familiarity with the treaty
C. Automatic decline of the matter with no possibility of developing the needed understanding
D. Reliance exclusively on the client's own understanding of the applicable treaty provisions

**18.** A practitioner's advertising claim regarding response time to client inquiries should generally be:

A. Set at the fastest conceivable response time regardless of whether it is actually achieved consistently
B. Accurate and genuinely reflective of the firm's actual typical response practices
C. Omitted entirely from advertising, since response time claims are categorically prohibited
D. Presented without any qualification, even where response times genuinely vary by matter type

**19.** A practitioner's Section 10.20 obligation regarding record submission is generally satisfied through:

A. Providing only a general summary description of what the records would show if produced
B. Providing records the practitioner personally selects as most favorable to the client's position
C. Providing complete, accurate copies of the actual records lawfully and properly requested
D. Providing a written promise to produce the records at some unspecified future date

**20.** A practitioner's failure to identify a client's eligibility for the Earned Income Tax Credit, where the client clearly qualifies, may reflect:

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

**21.** A practitioner's conflict of interest evaluation should generally be repeated when a client's matter expands to include:

A. A new party whose interests may diverge from the originally represented client's interests
B. An additional tax year within the identical scope originally covered by the engagement
C. A routine follow-up communication regarding the same original matter and party
D. A scheduling change for an already-planned meeting with the same original client

**22.** A practitioner's disreputable conduct violation involving conviction of a crime of moral turpitude generally does NOT require:

A. An actual criminal conviction, as opposed to a mere civil finding or allegation
B. That the conviction be established through a proper judicial proceeding with due process
C. That the underlying crime be specifically related to tax matters or the practitioner's professional practice

D. Consideration by OPR of the specific nature and circumstances of the underlying offense

**23.** A practitioner's obligation to maintain confidentiality of client information generally applies to information the client provided:

A. Only while the client remains actively cooperative and responsive throughout the representation
B. Even where the client later becomes uncooperative or difficult to reach for further consultation
C. Only if the client has paid the practitioner's fee in full for the specific matter
D. Only if the client has provided the information in a formally executed written document

**24.** A practitioner's decision to withdraw from representation due to the client's persistent refusal to provide necessary information should generally be handled with:

A. No documentation of any kind, since withdrawal itself is treated as self-explanatory
B. Immediate reporting of the client directly to the IRS as the primary basis for withdrawal
C. Continued representation despite the refusal, to avoid the appearance of any withdrawal at all
D. Documentation of the specific requests made and the client's persistent refusal to respond

**25.** A practitioner's obligation regarding the accuracy of a position taken in a request for a Private Letter Ruling is generally the same as the obligation applicable to:

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

**26.** A practitioner's suspension sanction generally does NOT affect the practitioner's ability to:

A. Practice before the IRS during the specific defined suspension period itself
B. Represent taxpayers in any IRS examination during the suspension period
C. Represent taxpayers at any Appeals conference during the suspension period

D. Prepare tax returns for compensation, since return preparation is distinct from practice before the IRS

**27.** A practitioner's monetary penalty under Section 10.50, once finally imposed, generally may be challenged through:

A. No mechanism whatsoever, since a final monetary penalty is treated as entirely unreviewable
B. Applicable judicial review procedures, subject to the specific standards governing such review
C. A private arbitration proceeding conducted entirely outside any governmental process
D. A direct informal appeal to the individual OPR attorney who handled the underlying matter

**28.** A practitioner's reinstatement petition following disbarment should generally address:

A. Only the practitioner's own general assertion that sufficient time has now elapsed
B. Only the practitioner's current financial need to resume practicing before the IRS
C. The specific steps the practitioner has taken to address the underlying conduct and prevent recurrence
D. Only the practitioner's personal opinion regarding whether the original disbarment was fair

**29.** A practitioner's obligation to disclose a conflict of interest generally does NOT require:

A. Disclosing information entirely unrelated to the actual conflict, such as unrelated personal matters
B. Disclosing the material facts of the actual conflict itself to each affected client
C. Explaining how the representation might reasonably be affected by the identified conflict
D. Obtaining each affected client's informed written consent before proceeding with the representation

**30.** A practitioner's overall approach to identifying potential conflicts before accepting a new engagement involving a referral from an existing client should generally include:

A. An assumption that a referred client automatically presents no possible conflict of any kind
B. Skipping the conflict check entirely, since the referring existing client has presumably already vetted the referral
C. Relying exclusively on the referring client's own personal assurance that no conflict exists

D. The same systematic conflict check applied to any other prospective client, regardless of the referral source

**31.** A practitioner's overall professional obligations under Circular 230 reflect Congress's recognition that effective tax administration depends partly on:

A. Practitioners having no genuine independent role beyond simply following whatever the client instructs
B. The IRS bearing sole and exclusive responsibility for identifying every inaccurate position without practitioner input
C. Practitioners serving as a meaningful check on inaccurate or improper positions taken before the IRS
D. Practitioners existing solely to generate revenue for themselves with no broader systemic function

**32.** A taxpayer's power of attorney authorizing a representative to sign a specific closing agreement on the taxpayer's behalf requires:

A. No special notation at all, since signing authority for a closing agreement is presumed automatically
B. A specifically checked authorization for this particular signing authority on the applicable line of the form
C. A separate court order specifically authorizing this particular signing authority
D. Verbal permission from the taxpayer given at the exact moment of signing only

**33.** A taxpayer's power of attorney generally must specify the applicable tax form number in order to:

A. Satisfy a purely arbitrary IRS formatting preference with no substantive purpose
B. Allow the IRS to calculate the taxpayer's applicable filing fee for the form
C. Determine which specific IRS office will ultimately process the authorization
D. Clearly define the specific scope of the representation being authorized

**34.** A taxpayer's power of attorney generally becomes effective for IRS purposes upon:

A. The taxpayer's own signature alone, regardless of whether the IRS has actually received it
B. The representative's own signature alone, regardless of whether the IRS has actually received it
C. The IRS's actual receipt and processing of the properly executed form
D. The specific date printed at the top of the form, regardless of actual submission timing

**35.** A taxpayer's assessment statute of limitations generally is extended to six years, rather than the standard three, where the taxpayer:

A. Simply files the return a few days after the original due date without requesting an extension
B. Omits gross income exceeding 25% of the amount actually reported on the return
C. Claims a tax credit the IRS later determines was calculated incorrectly by a small margin
D. Uses a paid preparer rather than self-preparing the original return

**36.** A taxpayer's voluntary Form 872 extension is generally distinguished from the six-year extended statute in that Form 872:

A. Requires the taxpayer's own affirmative agreement, unlike the six-year statute which applies by operation of law
B. Applies automatically by operation of law with no taxpayer agreement required at all
C. Is available only in situations involving a substantial income omission exceeding 25%
D. Extends the statute for exactly six years in every single case regardless of the agreed terms

**37.** A taxpayer's reliance on a Notice or Announcement published in the Internal Revenue Bulletin generally carries:

A. No authoritative weight whatsoever, since Notices and Announcements are treated as purely informal
B. Weight inferior to an informal, non-precedential IRS website FAQ addressing the identical topic
C. Meaningful authoritative weight, since these are official IRS publications addressing specific guidance
D. Weight applicable only to the specific taxpayer who originally requested the Notice or Announcement

**38.** A taxpayer's position that a court in the taxpayer's own governing circuit has never directly addressed, but that a majority of other circuits have rejected, generally carries:

A. Guaranteed success in the taxpayer's own circuit regardless of the other circuits' rejections
B. No relevance whatsoever to the taxpayer's own circuit, since those decisions are from other circuits
C. Automatic disqualification from being raised in the taxpayer's own circuit at all
D. Weaker prospects, since the persuasive weight of the majority rejecting circuits genuinely counts against the position

**39.** A taxpayer's Form 8275 disclosure statement should generally include:

A. Only the taxpayer's personal opinion regarding whether the IRS will ultimately accept the disclosed position
B. A concise description of the relevant facts and the specific tax treatment being disclosed
C. Only a general statement that some unspecified position is being disclosed with no further detail
D. A guarantee the disclosed position will definitely withstand any subsequent IRS challenge

**40.** A taxpayer's genuinely good-faith but ultimately incorrect legal position, transparently disclosed, is best distinguished from evasion by the:

A. Absence of any deception or concealment directed at the government regarding known facts
B. Ultimate dollar amount of tax the position would have saved had it been accepted
C. Specific number of years the taxpayer has been consistently using a similar position
D. Taxpayer's own subjective belief the position was completely certain to prevail

**41.** The Taxpayer Advocate Service's ability to assist a taxpayer with a genuinely urgent matter is generally reflected in its capacity to:

A. Guarantee the taxpayer will ultimately prevail on the underlying substantive tax dispute at issue
B. Override a final Tax Court decision that has already been fully and finally entered
C. Expedite review and issue a Taxpayer Assistance Order where the applicable hardship criteria are met
D. Waive the taxpayer's underlying tax liability entirely regardless of its actual legal correctness

**42.** A Taxpayer Assistance Order's issuance generally requires the National Taxpayer Advocate or a delegate to determine that:

A. The taxpayer has simply expressed a general preference for faster processing with no specific hardship shown
B. The taxpayer is suffering or about to suffer a significant hardship as defined under the applicable criteria
C. The taxpayer's representative has personally requested the TAO in writing, regardless of any actual hardship
D. The underlying tax liability has already been fully and completely paid by the taxpayer

**43.** An Enrolled Agent's representation authority generally extends to a matter involving a taxpayer's dispute regarding:

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

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

A. Only the organization's specific choice of office building's physical square footage
B. Only the organization's specific mission statement's precise wording and phrasing
C. Only the organization's total number of social media followers across various platforms
D. The organization's specific exempt status classification and its implications for the applicable tax rules

**45.** A conflict check's scope for a matter involving an S corporation should generally extend to:

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

**46.** A taxpayer's account transcript entry reflecting an abatement of a previously assessed penalty generally indicates:

A. The IRS's determination that the penalty, or a portion of it, was not appropriately assessable
B. An error requiring the taxpayer to immediately pay back the abated amount with interest
C. An entry unrelated to any actual IRS determination, requiring no further explanation at all
D. A new, entirely separate penalty being assessed against the taxpayer for an unrelated matter

**47.** A practitioner's analysis of a self-employed taxpayer's allowable business expenses under the Collection Financial Standards framework should generally distinguish between:

A. Only expenses paid by credit card versus expenses paid by cash, with no further distinction needed
B. Only expenses incurred on weekdays versus expenses incurred on weekends
C. Ordinary and necessary business expenses and expenses that are primarily personal in nature
D. Only expenses under $100 versus expenses of $100 or more, with no further distinction needed

**48.** A requesting spouse's Innocent Spouse Relief claim involving a business the other spouse solely operated generally may be supported by evidence that the requesting spouse:

A. Simply disliked the specific type of business the other spouse operated
B. Had no meaningful involvement in or knowledge of the business's actual financial operations
C. Never personally visited the business's physical location at any point
D. Had a different occupation entirely unrelated to the other spouse's business

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

A. Ever attended the same religious services together during the marriage
B. Shared the exact same taste in home decor and furnishings throughout the marriage
C. Had the same number of years of formal education completed by each spouse
D. Transferred assets between each other as part of a fraudulent scheme, which would disqualify this relief

**50.** A practitioner's early recognition of potential criminal exposure in a matter involving a client's foreign bank account reporting failure should generally prompt consideration of:

A. Whether a voluntary disclosure program might be an available and appropriate option for the client
B. Only the specific foreign country where the account happens to be located
C. Only the specific currency in which the foreign account is denominated
D. Only the client's general opinion regarding international banking practices generally

**51.** A practitioner who identifies potential criminal exposure in a foreign account matter should generally avoid:

A. Advising the client to consult with counsel experienced in voluntary disclosure matters
B. Advising the client to file amended returns without first considering a voluntary disclosure option
C. Documenting the specific reasoning behind any referral made to specialized counsel
D. Continuing to handle unrelated civil matters for the client within the practitioner's actual competence

**52.** A Kovel arrangement's continued validity generally depends on the accountant's work remaining:

A. Entirely independent of any ongoing attorney direction or supervision
B. Focused exclusively on matters having no connection whatsoever to any legal advice
C. Genuinely connected to assisting the attorney's provision of legal advice throughout the engagement
D. Shared freely and openly with the IRS as the engagement progresses

**53.** A practitioner's case-building documentation for a matter involving a taxpayer's reasonable reliance on professional advice generally should include:

A. Only the taxpayer's own general assertion that some advice was received from someone at some point
B. Only the specific fee the taxpayer paid the original advisor for the advice given
C. Only the specific date on which the original advice was given, with no further detail
D. Evidence of the specific advice given, the advisor's qualifications, and the taxpayer's actual reliance

**54.** A practitioner's overall case assessment should generally distinguish between facts that are:

A. Independently verifiable through documentation and facts resting solely on the client's own account
B. Only facts occurring before noon versus facts occurring after noon on a given day
C. Only facts the practitioner personally finds interesting versus facts the practitioner finds mundane
D. Only facts involving round dollar amounts versus facts involving specific odd amounts

**55.** A practitioner's overall case-building strategy for a matter involving a genuinely disputed factual timeline should generally include:

A. Only the taxpayer's own general recollection presented without any supporting documentation
B. Only the examiner's own proposed timeline, accepted without any independent verification
C. A carefully constructed chronology supported by dated documentation where available
D. Avoiding the disputed timeline entirely and focusing only on unrelated, more comfortable issues

**56.** A practitioner's overall preliminary case assessment process should generally include documenting the specific:

A. Only the practitioner's own personal fee arrangement for handling the specific matter
B. Statute of limitations dates and any other applicable deadlines relevant to the 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

**57.** A practitioner's case-building work for a matter involving a potential defense based on reasonable cause should generally document:

A. Only the taxpayer's own personal, subjective belief that reasonable cause genuinely exists
B. Only the specific total dollar amount of the underlying penalty being contested
C. Only the specific IRS employee who originally assessed the underlying penalty
D. The specific circumstances supporting reasonable cause and any corroborating evidence available

**58.** A practitioner's overall approach to preliminary case assessment for a matter involving multiple potential defenses should generally reflect:

A. Automatic pursuit of only the single defense the practitioner personally finds most interesting
B. Automatic pursuit of every conceivable defense regardless of each defense's actual underlying strength
C. A comparative evaluation of each defense's relative strength given the specific facts actually available
D. Deference entirely to whichever defense the client happens to personally prefer, regardless of merit

**59.** A practitioner's case-building process ultimately aims to ensure the taxpayer's position is presented in a manner that is:

A. Both factually accurate and persuasively organized given the applicable law and available evidence
B. Maximally lengthy regardless of whether the additional length actually adds genuine persuasive value
C. Entirely consistent with whatever outcome the taxpayer personally hopes to ultimately achieve
D. Presented without regard to whether the underlying facts actually support the position taken

**60.** A practitioner's overall case-building philosophy should generally reflect an understanding that a well-documented case:

A. Guarantees the taxpayer will ultimately prevail regardless of the underlying facts and law involved
B. Better positions the taxpayer for a favorable outcome at each successive stage of the process
C. Is relevant only if the matter ultimately proceeds all the way to formal litigation
D. Matters only during the initial examination stage, with no continued relevance thereafter

**61.** A taxpayer's short-term payment plan proposal for a balance that will remain unpaid past the plan's specific end date generally should be:

A. Submitted anyway, since the IRS is presumed to automatically extend the plan indefinitely if needed
B. Reconsidered in favor of a formal installment agreement better suited to the actual longer timeframe needed
C. Submitted with a specific request that the IRS simply waive the remaining balance entirely
D. Submitted with no modification, since exceeding the plan's end date carries no practical consequence

**62.** A taxpayer's streamlined installment agreement for a business entity is generally available for combined balances not exceeding:

A. $25,000, payable within 24 months or by the CSED, whichever comes first
B. $50,000, payable within 72 months or by the CSED, whichever comes first
C. $10,000, payable within 36 months or by the CSED, whichever comes first
D. There is no streamlined agreement option available for any business entity

**63.** A taxpayer's offer in compromise based on Effective Tax Administration requires demonstrating both the ability to pay in full and:

A. That the taxpayer simply disagrees with how the underlying tax law was applied to the facts
B. That the taxpayer would prefer to avoid the standard offer application fee generally
C. That requiring full payment would create genuine economic hardship or be otherwise inequitable
D. That the taxpayer has never previously submitted any offer in compromise of any kind

**64.** A taxpayer's offer in compromise's Reasonable Collection Potential calculation should generally be updated where:

A. The taxpayer simply requests an update with no showing of any actual changed circumstances
B. A specific fixed period of thirty days has elapsed since the offer was originally submitted
C. The taxpayer has made every single periodic payment on time with no default of any kind
D. The taxpayer's financial circumstances materially change during the IRS's review period

**65.** A lien's effect on a taxpayer's after-acquired property, meaning property obtained after the lien's filing, generally means the lien:

A. Never attaches to any property the taxpayer acquires after the specific date the lien was filed
B. Attaches only to property the taxpayer specifically identified by name at the time of the original filing
C. Attaches to such property as the taxpayer subsequently acquires it during the lien's effective period
D. Requires a completely separate new lien filing for each individual item of after-acquired property

**66.** A levy on a taxpayer's rental property income generally reaches:

A. Only rental payments the taxpayer already collected and deposited before the levy was issued
B. Only rental income specifically designated by the taxpayer as subject to levy in writing
C. Nothing at all, since rental income is categorically exempt from levy under all circumstances
D. Rental payments actually received by or owed to the taxpayer as of the levy

**67.** A Currently Not Collectible taxpayer's periodic financial review should generally be conducted using updated:

A. Only the same original financial information used at the time CNC status was first granted
B. Income and expense information reflecting the taxpayer's current, present-day financial circumstances
C. Only the taxpayer's own general impression of whether circumstances have changed
D. Only the specific revenue officer's own subjective assessment with no financial documentation

**68.** A taxpayer's Collection Appeals Program request regarding a proposed seizure of property should generally be filed:

A. Before the seizure actually occurs, or according to the specific applicable timing rules governing the request
B. At any time whatsoever, since CAP requests carry absolutely no timing considerations of any kind
C. Only after a full calendar year has elapsed since the seizure notice was originally issued
D. Only after the taxpayer has already fully paid the entire underlying liability

**69.** A TFRP assessment against a bookkeeper who processed payments but lacked genuine authority over which creditors were paid generally should be:

A. Accepted without challenge, since anyone who physically processes payments is automatically responsible

B. Challenged only on the basis of willfulness, since responsibility is presumed for any payment processor

C. Accepted without challenge, since job title alone conclusively establishes responsibility

D. Challenged on the basis that the bookkeeper lacked the practical authority the responsibility element requires

**70.** A responsible person's TFRP defense based on genuine ignorance of the unpaid trust fund taxes generally requires demonstrating:

A. Only that the individual personally disliked being involved in the company's financial operations

B. Only that the individual held a relatively junior job title within the overall organizational structure

C. The individual had no actual knowledge the taxes were unpaid at the time other creditors were paid

D. Only that the individual was hired relatively recently compared to other longer-tenured employees

**71.** A practitioner's Section 7525 privilege claim regarding communications with a client's tax return preparer generally requires the preparer to have:

A. Held authorization to practice before the IRS at the time the communication was actually made

B. Held a specific formal job title containing the word "senior" or "principal"

C. Communicated during the client's normal business hours specifically

D. Copied the communication to the client's outside legal counsel as a matter of course

**72.** A taxpayer's Cohan estimate for a category of expense Congress has specifically subjected to strict substantiation under Section 274(d) generally:

A. Can be freely sustained through Cohan estimation, since Section 274(d) does not actually override the Cohan rule

B. Cannot be sustained through Cohan estimation alone, regardless of how credible the estimate otherwise appears

C. Can be sustained only if the estimate happens to be a conveniently round dollar figure

D. Can be sustained only if the examiner personally finds the taxpayer to be a credible witness

**73.** A practitioner's review of an RAR's stated legal conclusions should generally confirm the conclusions:

A. Were reached using a computer program rather than through the examiner's own independent analysis

B. Are actually supported by the specific facts and authority the examiner has cited in the report

C. Appear in a specific section labeled with a particular heading style within the document

D. Were reached before, rather than after, the examiner reviewed the taxpayer's submitted documents

**74.** A taxpayer's decision to request a supervisory conference during an ongoing examination, before requesting formal Appeals review, should generally be considered where:

A. The taxpayer wishes to entirely bypass the examination process and proceed directly to Tax Court

B. The taxpayer has already formally requested and completed an Appeals conference on the same issue

C. A specific procedural or communication issue with the examiner might be more efficiently resolved informally first

D. The dispute involves a substantive legal question requiring formal Appeals-level analysis and authority

**75.** A CP-2000 notice's proposed adjustment involving a discrepancy in reported dividend income should generally prompt verification against:

A. The taxpayer's actual Form 1099-DIV documentation and how the dividends were reported on the return

B. Only the specific brokerage firm's overall general reputation in the financial industry

C. Only the specific font used to display the discrepancy amount on the notice itself

D. Only whether the notice includes the IRS's official seal prominently displayed

**76.** A taxpayer's Tax Court petition should generally be filed with awareness that the Tax Court's jurisdiction is generally limited to:

A. Any tax matter whatsoever the taxpayer wishes to raise, regardless of any connection to a triggering notice
B. Only matters involving a disputed amount exceeding a specific minimum dollar threshold
C. Only matters the IRS specifically consents in advance to have the Tax Court consider
D. Matters properly raised in the specific notice of deficiency or other jurisdictional document triggering the petition

**77.** A taxpayer's Appeals conference preparation for a matter involving conflicting expert opinions should generally include:

A. Simply presenting both expert opinions with no analysis of which is actually more persuasive or why
B. Avoiding any mention of the opposing expert's conflicting opinion to prevent inviting scrutiny
C. Deferring entirely to the Appeals Officer to independently evaluate the competing expert opinions
D. A clear presentation of the basis for preferring the taxpayer's expert's conclusions over the opposing view

**78.** A taxpayer's decision to accept an Appeals settlement that resolves the current year but leaves a related future year's treatment unresolved should generally be documented to note:

A. Only the Appeals Officer's own general policy views regarding future tax years generally
B. The settlement's specific scope and any limitations regarding its application to future, related tax years
C. Only the specific conference room where the partial settlement was actually reached
D. Only the taxpayer's general overall satisfaction with the current year's settlement reached

**79.** A taxpayer's small tax case election for a matter involving a straightforward substantiation dispute with modest stakes generally reflects:

A. A reasonable trade-off of appellate review for a faster, less formal resolution given the limited stakes involved
B. An unwise decision that will always result in a less favorable outcome than the regular procedure
C. A requirement that the taxpayer proceed entirely without any representative present at the hearing
D. An irreversible decision that cannot be changed even before any hearing has actually taken place

**80.** A taxpayer's formal written protest addressing a valuation dispute should generally include:

A. Only the taxpayer's own general, unsupported opinion of what the property is worth
B. Only a demand that the examiner simply accept the taxpayer's proposed value without question
C. The specific valuation methodology used and the qualifications of any expert relied upon
D. Only a general assertion that the examiner's valuation is obviously too high with no further detail

**81.** A taxpayer's Appeals settlement involving a valuation dispute should generally be documented to reflect:

A. Only the Appeals Officer's own general personal opinion regarding valuation methodology generally
B. Only the specific date the original appraisal was originally commissioned by the taxpayer
C. Only the taxpayer's general overall satisfaction with how the valuation dispute was ultimately resolved
D. The specific agreed-upon value and the methodology or basis supporting that agreed figure

**82.** A taxpayer's decision to pursue Post-Appeals Mediation for a valuation dispute should generally weigh whether:

A. A neutral mediator's involvement could help narrow the gap between the parties' competing valuations
B. The specific mediator happens to share the taxpayer's own general political views
C. Mediation sessions are scheduled on a specific day of the week the taxpayer personally prefers
D. The taxpayer's representative has previously used mediation in an entirely unrelated prior matter

**83.** A taxpayer's Appeals conference outcome resulting in a settlement between the taxpayer's and the examiner's originally proposed positions generally reflects:

A. A purely arbitrary midpoint calculation with no genuine underlying analytical basis at all
B. A hazards-of-litigation compromise recognizing genuine uncertainty on both sides of the disputed issue
C. An automatic default rule the IRS applies identically to every single disputed valuation case
D. A clerical error in properly calculating the correct final resolution amount for the matter

**84.** A practitioner's overall goal in preparing case-building materials for a valuation-related Appeals conference should generally include:

A. Assuming the Appeals Officer will simply accept the taxpayer's valuation without any independent scrutiny
B. Preparing responses only to challenges the taxpayer's representative personally finds interesting
C. Anticipating challenges to the taxpayer's valuation methodology and preparing well-supported responses
D. Preparing exclusively for challenges about matters entirely unrelated to the actual valuation dispute

**85.** A preparer's independent verification of a return remains necessary regardless of the software's reputation because:

A. No software can independently confirm the accuracy of the underlying facts the preparer actually entered
B. All software products share an identical, universally documented and disclosed error rate
C. Software calculations carry no legal weight whatsoever in any subsequent IRS proceeding
D. Using reputable software eliminates the preparer's own separate professional review obligation entirely

**86.** A preparer's discovery of a duplicate entry error affecting a refund calculation illustrates the importance of reviewing:

A. Only the specific software version number used to prepare the particular return
B. Only the client's stated preference for direct deposit versus a paper check refund
C. Both income and deduction entries for internal consistency before finalizing the return
D. Only the total number of pages the completed return happens to span

**87.** A preparer's Section 6107(b) obligation applies to a return prepared as an unpaid favor for a close relative:

A. Regardless of whether any compensation was actually received, since family returns are always covered
B. Only if the preparer actually received compensation of some kind, since the obligation is tied to paid preparation
C. Only if the relative later files a formal complaint regarding the preparer's work
D. Only if the return happens to result in a refund rather than a balance due

**88.** A preparer's data security obligations regarding a laptop used to prepare returns while traveling should generally include:

A. No specific additional safeguards at all, since travel-related risk is treated as purely theoretical
B. Leaving the laptop logged in and unlocked for convenience during brief periods away from it
C. Storing client data exclusively in an unencrypted folder clearly labeled for easy identification
D. Encryption and password protection to safeguard client data if the device is lost or stolen

**89.** An IRS e-file Application's suitability check for a firm with multiple owners generally evaluates:

A. Only the single owner who happens to hold the largest individual ownership percentage
B. Only the owner who has been affiliated with the firm for the longest period of time
C. The relevant background of each owner with sufficient interest or control in the firm's operations
D. Only the owner whose name appears first alphabetically among the firm's owners

**90.** A firm's decision to add e-file Provider capability to a newly acquired office location should generally involve:

A. No additional consideration at all, since existing Provider status automatically extends to any new location

B. Ensuring the new location's application status and personnel meet the applicable e-file requirements

C. Waiting a mandatory five-year period after the acquisition before adding any e-file capability

D. Obtaining approval from a majority vote of the firm's existing individual clients

**91.** A preparer's covered-return count should generally include returns prepared by the preparer's supervised, non-credentialed staff where:

A. The preparer is properly identified as the signing paid preparer of record for those specific returns

B. The staff member happens to have more total years of general work experience than the preparer

C. The staff member personally prefers to be credited as the preparer instead of the actual signer

D. The returns were prepared during a specific limited period the firm designates as a training period

**92.** A preparer's Form 8948 for a return involving a client's incarceration should generally reference:

A. Only the preparer's own general opinion regarding the criminal justice system generally

B. Only the specific facility where the client is currently incarcerated

C. Only the preparer's own past filing history with that particular client over prior years

D. The specific recognized exception category addressing this circumstance, if it genuinely applies under current guidance

**93.** A preparer's Form 8944 hardship waiver request supported by evidence of a recent, significant technology failure should generally include:

A. Documentation describing the specific technology failure and its actual impact on the preparer's ability to e-file

B. No supporting documentation at all, since technology failures are presumed self-evidently sufficient

C. Only the preparer's own general opinion regarding modern technology's overall reliability

D. A guarantee the identical technology failure will never possibly occur again in the future

**94.** A taxpayer's Form 8879 authorization obtained through a secure client portal generally satisfies applicable requirements where the portal:

A. Simply displays a generic confirmation message with no actual identity verification performed at all
B. Requires no password or other access control of any kind whatsoever to reach the portal
C. Automatically completes the signature process with no active taxpayer action required at all
D. Reliably verifies the taxpayer's identity and securely captures the taxpayer's actual electronic signature

**95.** An ERO's Form 8879 retention obligation applies consistently across returns regardless of the specific:

A. Whether the ERO actually retained a copy of the underlying completed tax return itself
B. Refund or balance-due outcome the particular return happened to produce
C. Whether the return was ultimately accepted by the IRS upon transmission
D. Applicable three-year minimum retention period the governing rule actually establishes

**96.** A preparer's process for confirming current Form 8453 requirements should generally include checking:

A. Only a general internet search with no specific verification of the source's actual current accuracy
B. Only the preparer's own personal recollection from several tax seasons in the past
C. The official current-year IRS instructions rather than relying on the prior year's requirements
D. Only an informal conversation with an unrelated colleague at a different, separate firm

**97.** A rejected return's perfection period correction involving a dependent's Social Security number should generally be verified against:

A. Only the preparer's own memory of the number from having prepared a prior year's return
B. Only the client's own verbal restatement of the number with no documentary confirmation
C. The dependent's actual Social Security card or another reliable official source confirming the correct number

D. Only whichever number happens to produce the more favorable overall tax result for the taxpayer

**98.** A preparer's overall response protocol for a suspected data breach affecting multiple clients should generally include:

A. Waiting until the following tax season to address the situation with affected clients
B. Addressing the situation only if a specific affected client happens to formally inquire about it
C. Handling the situation entirely informally with no documentation of the response taken
D. Prompt assessment of the breach's scope and appropriate notification to affected clients and authorities

**99.** A preparer's overall e-file compliance program's periodic self-assessment should generally examine whether:

A. The program's written documentation happens to be printed on a specific brand or quality of paper
B. Staff consistently follow established procedures and whether those procedures remain adequate given current requirements
C. The program has ever been formally reviewed by any outside consultant regardless of the review's substance
D. The firm's overall office space has increased in physical square footage since the program was established

**100.** An e-file Provider's overall approach to compliance ultimately reflects a recognition that the privilege of electronic filing access carries:

A. A corresponding obligation to protect the integrity of the system for all who rely upon it
B. No meaningful corresponding obligation whatsoever beyond simply avoiding overt fraud
C. Only a narrow obligation limited strictly to the Provider's own individual clients specifically
D. An obligation that applies only during the specific weeks immediately surrounding the filing deadline

# Practice Exam 13: Answer Key and Explanations

**1. D —** A—There is no specific mandatory window required between passing individual parts, though the actual enrollment application must generally follow within one year of completing all three parts. A single mandatory combined session, a strict six-month window from the first attempt, and a same-calendar-year requirement all misstate the actual applicable rules governing this examination path.

**2. A —** A—The directory reflects the practitioner's current standing as of its most recent update, though some reasonable lag between an actual status change and the directory update may exist. It is not a permanently fixed record ignoring subsequent changes, does not show only the original enrollment date, and is a public resource, not a private one.

**3. C —** C—Self-study continuing education must satisfy the specific requirements applicable to self-study programs under the relevant IRS-approved provider standards governing this category. It is not entirely outside any qualifying category, does not require the practitioner to personally author the material, and is not capped at merely one hour across an entire three-year cycle.

**4. B —** B—This notification obligation exists to ensure the practitioner continues receiving important communications regarding enrollment status and any disciplinary matters that may genuinely arise. It is not a purely symbolic requirement lacking genuine significance, is unrelated to calculating any continuing education fee, and is unrelated to state bar association registration determinations.

**5. D —** D—Expedited suspension under Section 10.82 generally applies where a practitioner has had a professional license suspended or revoked for cause by another licensing authority. Simply disagreeing with a proposed adjustment, requesting a reasonable extension, and declining a new client due to scheduling are all ordinary, unremarkable conduct not triggering this specific expedited procedure.

**6. A —** A—Due diligence requires a reasonable inquiry into the actual care provider and the qualifying expenses genuinely claimed, not necessarily independent verification with the provider directly. Direct provider verification is not required, automatic disallowance above an arbitrary amount is inappropriate, and no inquiry at all under any circumstances misstates this reasonable-inquiry standard.

**7. B —** B—A practitioner should note the PLR is not binding precedent for a different taxpayer, though it may still offer some genuine persuasive insight into the IRS's reasoning. Treating it as fully binding, ignoring it as entirely irrelevant, and guaranteeing an identical favorable result for the current client all misstate its actual proper use.

**8. C —** C—A state refund claim, even connected to a federal examination, is governed primarily by applicable state law rather than Circular 230's federal contingent fee provisions specifically. It is not governed entirely by Circular 230, is not prohibited regardless of state law, and does not require the connected federal examination to already be fully resolved.

**9. A —** A—A flat fee for a matter of uncertain scope should clearly define what services are actually included, helping to avoid later disputes over the engagement's genuine scope. Leaving scope deliberately vague for billing flexibility, setting the fee at the highest conceivable amount, and relying entirely on a verbal understanding are all inappropriate approaches here.

**10. C** — C—Listed credentials should be currently held and accurately described, not lapsed, revoked, or otherwise misrepresented in a way that would mislead a prospective client. Maximizing the sheer number regardless of current validity, limiting to only the past twelve months, and omitting the issuing organization's identity are all inappropriate approaches to this listing.

**11. D** — D—This analysis evaluates whether taking the inconsistent position would improperly use confidential information obtained during the prior, unrelated matter's actual representation. Mere elapsed time, the practitioner's own belief about which position is objectively better, and the prior client's current unreachability are not themselves the substantive factors this analysis turns on.

**12. B** — B—Even absent current actual adversity, proper consent documentation should address how the practitioner will handle the situation if the positions later become genuinely adverse. The practitioner's own assessment of which position seems more correct, the combined fee amount, and whether the clients have personally met are not themselves this required documentation content.

**13. B** — B—Periodic internal review should carefully confirm the compliance procedures remain genuinely effective given the firm's current actual operations and any applicable rule changes that occur. Office temperature comfort, furniture vendor cost-effectiveness, and holiday party committee assembly are all unrelated administrative matters, not the substance this specific compliance review should address.

**14. A** — A—This violation may be established through a pattern involving multiple instances across different client matters, not necessarily confined to a single isolated matter alone. It is not limited to establishing the pattern only through one specific client's matter, only one specific calendar year, or only statements to one specific IRS employee.

**15. C** — C—This obligation requires correcting a prior representation later discovered to be materially inaccurate, promptly upon the practitioner learning of the actual inaccuracy involved. Mere stylistic imprecision with no substantive significance, technically accurate phrasing the practitioner would now word differently, and representations accurate when made do not themselves require this correction.

**16. D** — D—An opinion involving a listed transaction should have been prepared with heightened scrutiny and disclosure appropriate to the genuinely elevated risk such transactions are known to carry. The same level of scrutiny as an ordinary transaction, no particular scrutiny at all, and guaranteeing the transaction would withstand challenge all misstate the appropriate heightened approach.

**17. A** — A—Competence regarding a genuinely unfamiliar foreign tax treaty issue generally requires either developing sufficient understanding through genuine, thorough research or consulting a practitioner with relevant specific expertise. Automatic acceptance regardless of actual familiarity, automatic decline foreclosing development, and sole reliance on the client's own understanding are all inappropriate responses here.

**18. B** — B—A response time claim should be accurate and genuinely reflective of the firm's actual typical response practices, not an aspirational figure rarely achieved. Setting it at the fastest conceivable time regardless of consistency, categorically omitting all such claims, and presenting it without appropriate qualification where times genuinely vary are all inappropriate approaches.

**19. C** — C—This obligation is satisfied through providing complete, accurate copies of the actual records that were lawfully and properly requested by the authorized IRS officer. A general summary description, selectively favorable records chosen by the practitioner, and a vague future promise to produce records do not themselves satisfy this genuine submission obligation.

**20. D** — D—Failing to identify clearly applicable EITC eligibility 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 credit must be identified, is not outside Circular 230's concern, and does not require proving deliberate withholding by the client.

**21. A** — A—The evaluation should be repeated when the matter expands to include a new party whose interests may genuinely diverge from the originally represented client's interests. An additional tax year within the identical original scope, a routine follow-up communication, and a mere scheduling change do not themselves introduce a new conflict requiring reevaluation.

**22. C** — C—This violation does not require the underlying crime be specifically related to tax matters, unlike violations tied directly to the practitioner's professional tax practice. It does require an actual criminal conviction rather than a mere civil finding, does require the conviction stem from a proper judicial proceeding, and does involve OPR's consideration of the offense's nature.

**23. B** — B—Confidentiality obligations apply to client information regardless of whether the client later becomes uncooperative or difficult to reach, since the duty is not contingent on cooperation. It is not contingent on ongoing client cooperation, is not contingent on full fee payment, and is not limited to information provided in a formally executed written document.

**24. D** — D—This withdrawal should generally be handled with documentation of the specific information requests made and the client's persistent refusal to actually respond to them. Withdrawing with no documentation at all, reporting the client directly to the IRS as the withdrawal's basis, and continuing representation despite the persistent refusal are all inappropriate approaches.

**25. A** — A—The accuracy obligation for a PLR request 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 PLR requests are not entirely unregulated under Circular 230.

**26. D** — D—A Circular 230 suspension does not itself prevent preparing tax returns for compensation, since return preparation is generally treated as distinct from formal practice before the IRS. It does prevent practicing before the IRS during the suspension, including representing taxpayers in examinations and at Appeals conferences during that specific period.

**27. B** — B—A finally imposed monetary penalty may generally be challenged through applicable judicial review procedures, subject to the specific legal standards governing such review. It is not entirely unreviewable through any mechanism, is not challenged through private arbitration outside governmental process, and is not challenged through an informal direct appeal to the handling attorney.

**28. C** — C—A proper reinstatement petition should address the specific concrete steps the practitioner has genuinely taken to address the underlying conduct and prevent its future recurrence. A general assertion that time has passed, the practitioner's current financial need, and a personal opinion about the original disbarment's fairness are not themselves the substantive content this petition requires.

**29. A** — A—This disclosure obligation does not require disclosing information entirely unrelated to the actual conflict itself, such as unrelated personal matters having no genuine bearing on the conflict. It does require disclosing the conflict's material facts, explaining how representation might be affected, and obtaining informed written consent from each affected client.

**30. D** — D—A referred prospective client should undergo the same systematic conflict check applied to any other prospective client, regardless of the fact that a referral occurred. Assuming a referred client automatically presents no conflict, skipping the check entirely, and relying exclusively on the referring client's assurance are all inadequate approaches to this necessary check.

**31. C** — C—These obligations reflect Congress's recognition that effective tax administration partly depends on practitioners serving as a meaningful check on inaccurate or improper positions presented to the IRS. Practitioners are not meant to have no independent role beyond client instruction, the IRS does not bear sole responsibility, and practitioners serve a genuine broader systemic function.

**32. B** — A—Signing a closing agreement on the taxpayer's behalf requires a specifically checked authorization on the applicable line of Form 2848 granting this heightened authority. It is not automatically presumed without notation, does not require a separate court order, and is not satisfied merely by verbal permission given at the moment of signing.

**33. D** — D—Specifying the applicable tax form number helps clearly define the specific scope of the representation actually being authorized on the power of attorney form. This is not a purely arbitrary formatting preference, is unrelated to calculating any filing fee, and does not itself determine which specific office processes the authorization.

**34. C** — C—A power of attorney generally becomes effective for IRS purposes upon the IRS's actual receipt and processing of the properly executed form submitted. It is not effective based merely on the taxpayer's signature alone before submission, merely the representative's signature alone, or merely the date printed on the form regardless of actual submission.

**35. B** — B—The six-year extended statute applies where the taxpayer omits gross income exceeding 25% of the amount actually reported, a substantial omission threshold under Section 6501(e). A few days' late filing without an extension request, a small incorrect credit calculation, and using a paid preparer do not themselves trigger this specific extended six-year statute.

**36. A** — A—Form 872 requires the taxpayer's own affirmative agreement and signature, unlike the six-year extended statute, which applies automatically by operation of law given a substantial omission.

Form 872 does not apply automatically without agreement, is not limited to substantial-omission situations, and does not extend the statute for a fixed six years regardless of the agreed terms.

**37. C** — C—A published Notice or Announcement carries meaningful authoritative weight as official IRS guidance, distinct from purely informal, non-precedential website content like an FAQ generally. These are not without authoritative weight, are not inferior to an informal FAQ, and unlike a private ruling, are not limited to a single requesting taxpayer.

**38. D** — D—Such a position carries weaker prospects, since the persuasive weight of a majority of other circuits rejecting it genuinely counts against the position even absent binding precedent. This does not guarantee success, is not entirely without relevance to the taxpayer's own circuit as persuasive authority, and does not automatically disqualify raising the position.

**39. B** — B—A proper Form 8275 disclosure includes a concise description of the relevant facts and the specific tax treatment actually being disclosed to the IRS. The taxpayer's own opinion about eventual IRS acceptance, a vague unspecified general statement, and a guarantee of withstanding challenge are not themselves the required content of this specific disclosure.

**40. A** — A—The key distinguishing feature is the genuine absence of any deception or concealment directed at the government regarding facts the taxpayer actually knew to be true. The potential dollar savings, the number of years the position has been used, and the taxpayer's own subjective certainty are not themselves the factors that distinguish avoidance from evasion.

**41. C** — C—TAS's capacity to assist with an urgent matter is reflected in its ability to expedite review and issue a TAO where the applicable hardship criteria are genuinely satisfied. TAS cannot guarantee the taxpayer will prevail on the substantive dispute, cannot override a final Tax Court decision, and cannot simply waive a legally correct underlying liability.

**42. B** — B—A TAO's issuance generally requires determining the taxpayer is suffering or about to suffer a genuine significant hardship as defined under the applicable recognized criteria. A mere general preference for faster processing with no actual hardship, a representative's bare written request alone, and full prior payment of the liability do not themselves establish this requirement.

**43. A** — A—An EA's unlimited practice rights extend to excise tax assessments, in addition to income, employment, and estate or gift 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. D** — D—A proper preliminary assessment carefully confirms the organization's specific exempt status classification and its genuine implications for the applicable tax rules relevant to the matter. Office square footage, the mission statement's precise wording, and social media follower counts are not themselves the substantive factors this initial assessment should focus on.

**45. D** — D—A thorough conflict check for an S corporation matter should extend to the individual shareholders, given their genuine potential personal stake in S corporation-level tax matters and pass-through outcomes. The corporation's formal legal name alone, its industry classification code, and its years in operation are not themselves sufficient without this broader shareholder-level inquiry.

**46. A** — A—An abatement entry generally indicates the IRS's determination that the penalty, or some portion of it, was not appropriately assessable given the circumstances presented. It is not an error requiring the taxpayer to repay the abated amount, is not unrelated to any actual IRS determination, and is not itself a new separate penalty being assessed.

**47. C** — C—This analysis distinguishes between ordinary and necessary business expenses and expenses that are primarily personal in nature, a substantive rather than superficial distinction. Payment method (credit versus cash), the day of the week incurred, and an arbitrary dollar threshold are not themselves the substantive distinction this specific analysis should actually focus on.

**48. B** — B—Such a claim may be supported by evidence the requesting spouse had no meaningful involvement in or actual knowledge of the business's genuine financial operations. Simply disliking the type of business, never physically visiting the location, and having an unrelated occupation do not themselves establish this specific lack of involvement or knowledge.

**49. D** — D—Proper documentation should address whether the spouses transferred assets between each other as part of a fraudulent scheme, a specific disqualifying factor for this relief category recognized. Shared religious attendance, shared decor taste, and comparative years of education are not themselves this specific relevant disqualification factor the documentation should address.

**50. A** — A—Early recognition should prompt considering whether a voluntary disclosure program might be an available and genuinely appropriate option for the client's specific situation. The specific foreign country, the account's currency denomination, and the client's general opinion of international banking are not themselves the substantive factors this recognition should meaningfully influence.

**51. B** — B—A practitioner should always generally avoid advising the client to simply file amended returns without first considering whether a voluntary disclosure option might be more genuinely appropriate. Advising consultation with experienced voluntary disclosure counsel, documenting referral reasoning, and continuing unrelated civil matters within competence are all appropriate, recommended responses instead.

**52. C** — C—The arrangement's continued validity depends on the accountant's work remaining genuinely connected to assisting the attorney's provision of legal advice throughout the entire engagement. Work becoming entirely independent of attorney direction, becoming disconnected from legal advice, and being freely shared with the IRS would all undermine the arrangement's continued validity.

**53. D** — D—Proper documentation for a reasonable reliance defense includes evidence of the specific advice given, the advisor's actual qualifications, and the taxpayer's genuine reliance on that advice. A bare general assertion advice was received, merely the fee paid, and merely the date given are all insufficient without this more complete substantiating evidence.

**54. A** — A—A proper case assessment should carefully distinguish between facts independently verifiable through documentation and facts resting solely on the client's own unverified account, a genuine credibility distinction. Time of day, personal interest level, and round versus odd dollar amounts are not themselves meaningful analytical distinctions this specific assessment should draw.

**55. C** — C—Case-building for a genuinely disputed timeline should always generally include a carefully constructed chronology genuinely supported by dated documentation where such documentation is actually available. Relying only on unsupported general recollection, simply accepting the examiner's proposed timeline without verification, and avoiding the dispute entirely all fail to properly address it.

**56. B** — B—A thorough preliminary assessment should always carefully include documenting the specific statute of limitations dates and any other applicable deadlines genuinely relevant to the particular matter at hand. A fee-only documentation, a software-only documentation, and a general satisfaction-only documentation all fail to capture this substantive, expected content the assessment should include.

**57. D** — D—Case-building for a reasonable cause defense should generally document the specific circumstances actually supporting the claim and any corroborating evidence genuinely available to substantiate it. The taxpayer's own subjective belief alone, merely the penalty's dollar amount, and merely the assessing employee's identity are not themselves this required substantive documentation content.

**58. C —** A—A sound approach reflects a comparative evaluation of each potential defense's relative strength given the specific facts genuinely available in the matter. Pursuing only the most personally interesting defense, pursuing every defense regardless of strength, and deferring entirely to client preference regardless of merit all fail to reflect this needed evaluation.

**59. A** — A—The genuine aim of case-building is ensuring the position is presented both factually accurately and persuasively organized given the applicable law and available evidence. It does not aim for maximal length regardless of added value, does not aim for mere consistency with the taxpayer's hoped-for outcome, and does not disregard whether facts support the position.

**60. B —** B—This philosophy should reflect the understanding that a well-documented case genuinely better positions the taxpayer for a favorable outcome at each successive stage of the process. A well-documented case does not guarantee ultimate success regardless of facts and law, remains relevant even short of formal litigation, and remains relevant well beyond the initial examination stage.

**61. B** — B—Where the balance will genuinely remain unpaid past the short-term plan's end date, the proposal should be reconsidered in favor of a formal installment agreement suited to the actual timeframe needed. The IRS does not automatically indefinitely extend a short-term plan, a simple balance waiver is not the appropriate remedy, and exceeding the end date carries real practical consequences.

**62. A** — A—A business streamlined installment agreement is generally available only for combined balances not exceeding $25,000, and is payable within 24 months or by the CSED, whichever comes sooner. The $50,000/72-month figures describe the individual streamlined agreement instead, and a genuine business streamlined option does exist under the applicable IRS collection guidelines.

**63. C** — C—Effective Tax Administration requires demonstrating both the ability to pay in full and that requiring full payment would create genuine economic hardship or otherwise be inequitable. Simple disagreement with the law's application describes Doubt as to Liability instead, and neither fee avoidance nor a clean prior-offer history describes this particular ground for relief.

**64. D** — D—The RCP calculation should generally be updated where the taxpayer's financial circumstances have genuinely and materially changed during the IRS's ongoing review period. A bare request with no changed circumstances shown, the mere passage of thirty days, and a perfect on-time payment record are not themselves grounds for updating this specific calculation.

**65. C** — A—A federal tax lien attaches to after-acquired property as the taxpayer subsequently acquires it during the lien's continued effective period, a broad continuing-attachment feature. It does not exclude all after-acquired property, is not limited to property specifically identified by name at filing, and does not require a separate new filing for each individual item acquired.

**66. D** — D—A levy on rental income reaches rental payments actually received by or owed to the taxpayer as of the levy, similar to an accounts receivable levy generally. It is not limited to only already-collected and deposited payments, does not require the taxpayer's own written designation, and rental income is not categorically exempt from levy.

**67. B** — B—A periodic CNC review should generally use updated income and expense information genuinely reflecting the taxpayer's current, present-day financial circumstances at review time. Relying only on the original outdated information, only the taxpayer's own general impression, and only the officer's subjective assessment without documentation all fail to properly conduct this review.

**68. A** — A—A CAP request regarding a proposed seizure should generally be filed before the seizure actually occurs, or otherwise consistent with the specific applicable timing rules governing the request. It is not available with no timing considerations at all, does not require waiting a full year after the notice, and does not require the liability to already be fully paid.

**69. D** — D—Such an assessment should generally be challenged on the basis that the bookkeeper lacked the genuine practical authority the responsibility element actually requires, despite processing payments. Merely processing payments does not automatically establish responsibility, willfulness alone is not the correct challenge basis here, and job title alone does not conclusively establish responsibility.

**70. C** — C—This defense requires demonstrating the individual genuinely had no actual knowledge the taxes were unpaid at the specific time other creditors were being paid instead. Merely disliking involvement in financial operations, holding a junior title, and being a recent hire do not themselves establish this genuine lack of actual contemporaneous knowledge.

**71. A** — A—Asserting this privilege requires the preparer to have genuinely held authorization to practice before the IRS at the specific time the communication was actually made. A specific formal job title, communication timing during normal business hours, and copying outside counsel are not themselves the required elements this specific privilege claim actually demands.

**72. B** — B—A Section 274(d) category cannot be sustained through Cohan estimation alone, regardless of how credible the estimate might otherwise genuinely appear, since Congress specifically overrode Cohan here. Section 274(d) does in fact override the Cohan rule for these specific categories, and neither a round figure nor the examiner's personal credibility impression changes this override.

**73. B** — B—A proper review confirms the RAR's stated legal conclusions are actually supported by the specific facts and authority the examiner has genuinely cited in the report. Whether a computer program was used, the specific heading style used in a document section, and the sequencing of the examiner's document review are all irrelevant to this substantive verification.

**74. C** — C—A supervisory conference should generally be considered where a specific procedural or communication issue with the examiner might be more efficiently resolved informally before Appeals. It is not meant to bypass the examination process entirely, is not relevant after an Appeals conference has already occurred, and is not the appropriate venue for substantive legal analysis requiring Appeals authority.

**75. A** — A—This should prompt verification against the taxpayer's actual Form 1099-DIV documentation and how the dividend income was genuinely reported on the originally filed return. The brokerage's general industry reputation, the specific display font, and the presence of an official seal are all irrelevant to this genuine substantive verification actually needed here.

**76. D** — D—Tax Court jurisdiction is generally limited to matters properly raised in the specific notice of deficiency or other jurisdictional document that actually triggered the petition filed. It is not unlimited to any matter regardless of connection to a triggering notice, carries no specific minimum dollar threshold, and does not require the IRS's advance consent to be raised.

**77. D** — D—Preparation for conflicting expert opinions should include a clear presentation of the basis for preferring the taxpayer's expert's conclusions over the opposing view presented. Simply presenting both with no analysis, avoiding mention of the opposing opinion entirely, and deferring entirely to the Officer's own evaluation all fail to properly advocate for the taxpayer's position.

**78. B** — A—Proper documentation should always clearly note the settlement's specific scope and any limitations regarding its application to future, related tax years not covered by the current settlement. The Officer's general policy views, the specific conference room location, and the taxpayer's general satisfaction are not themselves this required specific documentation content.

**79. A** — B—This election generally reflects a reasonable trade-off of appellate review for a faster, less formal resolution given the genuinely limited stakes involved in the dispute. It does not always result in a less favorable outcome than the regular procedure, does not require proceeding without a representative, and is not irreversible before an actual hearing occurs.

**80. C** — C—A proper protest addressing a valuation dispute should include the specific valuation methodology actually used and the genuine qualifications of any expert relied upon in reaching it. A bare unsupported personal opinion of value, a demand for unquestioning acceptance, and an unsupported general assertion the examiner's value is too high are all inadequate.

**81. D** — D—Proper documentation should always generally and clearly reflect the specific agreed-upon value and the methodology or basis genuinely supporting that particular agreed figure reached in the settlement. The Officer's general opinion of valuation methodology, the appraisal's original commissioning date, and the taxpayer's general satisfaction are not themselves this required documentation content.

**82. A** — A—This decision should weigh whether a neutral mediator's involvement could genuinely help narrow the gap between the parties' competing valuations on the disputed issue. The mediator's personal political views, a preferred scheduling day, and the representative's unrelated prior mediation experience are not themselves the substantive factors this decision should turn on.

**83. B** — D—A settlement between the two originally proposed positions generally reflects a genuine hazards-of-litigation compromise, recognizing real uncertainty on both sides of the disputed issue. It is not a purely arbitrary midpoint lacking analytical basis, is not an automatic default rule applied identically to every case, and is not itself a clerical calculation error.

**84. C** — C—Effective preparation should always generally include genuinely and quite carefully anticipating likely challenges to the taxpayer's own specific valuation methodology used and preparing well-supported responses. Assuming the Officer will accept the valuation without scrutiny, preparing only for personally interesting challenges, and preparing only for unrelated matters all reflect inadequate preparation.

**85. A** — A—Independent verification remains necessary because no software, regardless of reputation, can independently confirm the accuracy of the underlying facts the preparer actually entered. Products do not share an identical documented error rate, software calculations do carry weight in later proceedings, and using reputable software does not eliminate the separate review obligation.

**86. C** — C—This discovery clearly and genuinely illustrates the importance of reviewing both income and deduction entries for genuine internal consistency before finalizing and filing the return. The specific software version, the client's refund delivery preference, and the total page count are all irrelevant to this genuine substantive internal consistency review needed.

**87. B** — B—This obligation applies only if the preparer actually received compensation of some kind, since Section 6107(b) is specifically tied to paid preparer status. It does not apply regardless of compensation to every family return, does not depend on a later complaint being filed, and does not depend on whether a refund or balance results.

**88. D** — D—Reasonable safeguards for a traveling laptop should include encryption and password protection to protect client data if the device is genuinely lost or stolen. Treating travel risk as purely theoretical requiring no safeguards, leaving it unlocked for convenience, and storing data in an unencrypted, clearly labeled folder all reflect inadequate security.

**89. C** — C—The suitability check generally evaluates the relevant background of each owner holding sufficient interest or control over the firm's actual day-to-day operations. It is not limited to only the largest percentage owner, only the longest-affiliated owner, or only the owner whose name happens to appear first alphabetically among the owners.

**90. B** — B—This should always generally involve carefully ensuring the new location's application status and personnel genuinely meet the applicable e-file requirements before beginning operations there. Existing status does not automatically extend without consideration, there is no mandatory five-year waiting period, and no client vote approval is required for this administrative matter.

**91. A** — A—The count should include returns where the preparer is properly identified as the signing paid preparer of record, regardless of which staff member actually performed the underlying work. The staff member's general years of experience, personal preference for credit, and a firm-designated training period do not themselves change this counting determination.

**92. D** — D—Form 8948 should always reference the specific recognized exception category addressing this circumstance, provided it genuinely applies under the applicable current IRS guidance for that exception. It should not merely reference the preparer's own general opinion, the specific facility name, or the preparer's unrelated past filing history with the client.

**93. A** — A—A proper request supported by a technology failure should include documentation describing the specific failure and its actual genuine impact on the preparer's e-filing ability. It should not rely on the failure being presumed self-evidently sufficient with no documentation, a general reliability opinion, or an unrealistic guarantee against future recurrence.

**94. D** — D—An acceptable portal-based authorization must reliably verify the taxpayer's identity and securely capture the taxpayer's actual, genuine electronic signature on the document. Merely displaying a generic confirmation with no verification, requiring no access control at all, and automatic completion with no active taxpayer action do not themselves satisfy these requirements.

**95. B** — B—This retention obligation applies consistently regardless of whether the particular return produced a refund or a balance-due outcome for the taxpayer. It does not apply regardless of whether the ERO separately retained the underlying return copy, does not apply regardless of acceptance status, and does not apply regardless of the actual three-year minimum period.

**96. C** — A—A sound process should include checking the official current-year IRS instructions, rather than relying on the prior year's requirements which may have genuinely changed. A general unverified internet search, the preparer's own outdated recollection, and an informal conversation with an unrelated colleague are all unreliable substitutes for checking current official guidance.

**97. C** — C—This correction should be verified against the dependent's actual Social Security card or another reliable official source genuinely confirming the correct number. The preparer's own memory from a prior year, the client's unconfirmed verbal restatement, and selecting whichever number produces a more favorable result are all inappropriate, unreliable verification approaches.

**98. D** — D—A sound protocol should include prompt assessment of the breach's actual scope and appropriate notification to affected clients and any relevant authorities as required. Waiting until the following season, addressing it only upon a specific client inquiry, and handling it entirely informally with no documentation all reflect an inadequate response to a genuine breach.

**99. B** — B—A meaningful self-assessment examines whether staff consistently follow established procedures and whether those procedures remain genuinely adequate given current applicable requirements. The paper quality of written documentation, whether any outside consultant reviewed it regardless of substance, and mere office square footage growth are all irrelevant to this genuine substantive self-assessment.

**100. A** — A—This overall approach reflects the recognition that the privilege of e-file access carries a corresponding obligation to protect the system's integrity for everyone who genuinely relies upon it. This is not merely an obligation to avoid overt fraud with nothing more, is not limited narrowly to the Provider's own clients, and applies year-round, not only near deadlines.