PRACTICE EXAM 14: 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 enrollment, once granted, generally remains valid until:

A. Exactly ten years have elapsed from the original date of enrollment, regardless of renewal
B. Voluntarily surrendered, allowed to lapse, or revoked through a Circular 230 disciplinary proceeding
C. The practitioner reaches a specific mandatory retirement age set by Treasury regulation
D. The practitioner has prepared a specific minimum number of returns in a given year

2. A practitioner's continuing education audit, if selected by the IRS, generally requires the practitioner to:

A. Produce documentation substantiating the specific hours claimed for the applicable renewal cycle
B. Retake the full Special Enrollment Examination as a condition of passing the audit
C. Pay an additional fee beyond the ordinary renewal fee to complete the audit process
D. Obtain a character reference letter from another currently enrolled practitioner

3. A practitioner's continuing education hours obtained through a course later found to be non-qualifying generally results in:

A. No consequence whatsoever, since the practitioner reasonably relied on the course provider's own representations
B. Automatic disbarment of the practitioner regardless of the practitioner's own good-faith reliance
C. Automatic disqualification of every other continuing education hour the practitioner has ever earned

D. Those specific hours not counting toward the practitioner's renewal requirement, requiring makeup hours

4. OPR's authority under Section 10.52 to sanction a practitioner for violating a Circular 230 provision generally requires establishing the violation was:

A. Entirely accidental and unintentional in every single instance, with no exception whatsoever
B. Committed with the specific intent to permanently harm the client involved in the matter
C. Willful, reckless, or through gross incompetence, depending on the specific provision at issue
D. Reported directly by the client before OPR may take any action whatsoever

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

A. Independent verification directly with each medical provider named in the claimed expenses
B. Automatic disallowance of any medical expense claim exceeding a specific fixed dollar amount
C. A reasonable inquiry into whether the claimed expenses genuinely qualify and exceed the applicable threshold
D. No inquiry whatsoever, since medical expense claims are presumed accurate automatically

6. A practitioner's advice regarding a position supported only by a dissenting opinion in a court decision the majority ultimately rejected generally reflects:

A. Strong authoritative support equivalent to the majority opinion's own binding holding
B. Grounds for automatic penalty relief regardless of any other surrounding circumstances
C. A position identical in strength to one supported by a published Revenue Ruling
D. Weak authoritative support, since a dissent carries no binding or majority precedential weight

7. A contingent fee arrangement is generally prohibited for representation on an amended return unless the amended return is filed in connection with:

A. An examination of, or a claim for credit or refund related to, the original return

B. The taxpayer's own general preference to correct a minor typographical error noticed later

C. A routine update reflecting the taxpayer's changed mailing address on file

D. The taxpayer's desire to switch from itemizing to claiming the standard deduction

8. A practitioner's fee arrangement that scales based on the ultimate complexity revealed as a matter unfolds should generally be:

A. Adjusted silently without informing the client, since fee changes are treated as the practitioner's sole discretion

B. Disclosed to the client in advance as a possibility, with the basis for any later adjustment explained

C. Fixed permanently at the initial quoted amount regardless of how the matter's actual complexity evolves

D. Structured with no written documentation at all, relying entirely on a verbal understanding

9. A practitioner's advertisement stating the firm has "decades of combined experience" is generally:

A. Permitted if the stated combined experience figure is accurately calculated and genuinely reflects the firm's staff

B. Prohibited entirely, since combining multiple individuals' experience into one figure is categorically banned

C. Permitted regardless of whether the combined figure is actually accurately calculated

D. Permitted only if every individual staff member has more than ten years of experience

10. A practitioner's conflict of interest analysis for representing a taxpayer against a former client in an entirely unrelated matter generally should evaluate:

A. Only the total dollar amount the former client paid the practitioner across the entire prior engagement

B. Only whether the practitioner personally still likes or dislikes the former client on a personal level

C. Only the specific number of months that have elapsed since the former representation concluded

D. Whether the former representation created an ongoing duty that would be violated by the new adverse representation

11. A practitioner's written consent documentation for representing a taxpayer against a former client should generally address whether:

A. Only the former client's own general opinion of the practitioner's overall competence
B. The new matter is substantially related to the former representation such that confidential information could be implicated
C. Only the specific total dollar amount the practitioner will charge the new client
D. Only whether the former client has since retained an entirely different, unrelated representative

12. A firm's Section 10.36 procedures should generally address how the firm handles a departing staff member's access to client files by:

A. Leaving the departing staff member's system access unchanged indefinitely with no revocation
B. Simply assuming the departing staff member will voluntarily return all records with no confirmation needed
C. Promptly revoking system access and confirming the return of any physical or electronic client records
D. Ignoring the departure entirely unless a client specifically raises a concern about it

13. A practitioner's Section 10.51(a)(4) violation for false statements requires the false statement to have been material, meaning it generally:

A. Could have influenced the IRS's decision-making on the matter to which it related
B. Must have actually and successfully influenced the IRS's final decision on the matter
C. Must have been made in a formal, notarized written document specifically
D. Must have related to a matter involving a dollar amount exceeding a specific threshold

14. A practitioner's obligation regarding accuracy of representations to the IRS generally applies to statements made through a practitioner's own authorized staff member because:

A. Staff members are treated as entirely independent actors bearing sole responsibility for their own statements

B. The practitioner remains responsible for ensuring accurate communications made on the practitioner's behalf

C. This obligation applies only to statements the practitioner personally and directly makes

D. Staff communications are treated as informal and therefore entirely outside Circular 230's scope

15. A practitioner's written tax opinion that fails to address a well-known, directly contrary IRS position generally reflects:

A. Full compliance with Circular 230's written opinion standards regardless of the omission

B. A matter entirely outside Circular 230's regulatory concern regarding written opinions

C. No consequence provided the client ultimately achieves a favorable result on the matter

D. A potential deficiency in the opinion's balanced analytical rigor Circular 230 expects

16. A practitioner's competence obligation regarding a matter requiring specialized valuation expertise the practitioner lacks generally requires:

A. Providing the practitioner's own personal, unsupported estimate of the value in question

B. Declining the entire matter outright rather than engaging any outside specialized assistance

C. Engaging a qualified valuation expert or referring that specific aspect of the matter to appropriate specialists

D. Relying exclusively on the client's own subjective opinion of the property's value

17. A practitioner's advertising claim regarding the firm's specific years in business should generally be calculated from:

A. The firm's actual date of formation or the practitioner's actual start of practice, accurately stated

B. An arbitrary earlier date chosen to make the firm appear more established than it actually is

C. The date the firm's current office lease happened to begin, regardless of the firm's actual history

D. The date the firm's current website was most recently redesigned

18. A practitioner's Section 10.20 obligation regarding record submission generally applies to a request made by an IRS employee acting:

A. Entirely outside the scope of the employee's actual authorized duties, with no limitation whatsoever
B. Only where the employee happens to hold a specific supervisory job title
C. Within the scope of that employee's actual authorized duties and authority
D. Only where the request is made in person rather than by mail or electronic means

19. A practitioner's failure to identify a client's eligibility for the Child 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 potential shortfall in the competence and diligence Circular 230 expects of practitioners
C. A matter completely outside any Circular 230 concern whatsoever regarding the practitioner's conduct
D. Relevant only if the client can affirmatively prove the practitioner deliberately withheld this information

20. A practitioner's conflict of interest evaluation should generally be documented at the outset of an engagement even where no conflict is found because:

A. IRS regulations specifically mandate a detailed written report for every negative conflict determination
B. Undocumented negative conflict evaluations automatically constitute a standalone Circular 230 violation
C. Clients specifically expect and demand a formal copy of every conflict evaluation performed
D. The documentation itself creates a contemporaneous record supporting the practitioner's diligence in performing the check

21. A practitioner's disreputable conduct violation involving willful noncompliance with the practitioner's own filing obligations generally does NOT require:

A. That the noncompliance be willful, reflecting the practitioner's knowing failure to file
B. That the noncompliance have caused actual, quantifiable financial harm to any specific client

C. That the noncompliance involve the practitioner's own required tax filings specifically

D. Consideration by OPR of the specific pattern and circumstances of the noncompliance

22. A practitioner's obligation to maintain confidentiality of client information generally applies regardless of the specific:

A. Whether the client explicitly labeled the specific information as confidential when it was shared

B. Whether the information was shared during a formally scheduled meeting versus an informal conversation

C. Medium through which the information was communicated, whether verbal, written, or electronic

D. Whether the client has since become a former client rather than a current active client

23. A practitioner's decision to decline representing a client who insists on a position the practitioner believes lacks even a reasonable basis is generally:

A. An appropriate exercise of professional judgment consistent with Circular 230's return position standards

B. A violation of an implied duty to pursue any position a client explicitly insists upon

C. Irrelevant to Circular 230, since declining representation carries no professional significance

D. Permitted only if the practitioner first obtains a formal court ruling confirming the position lacks basis

24. A practitioner's obligation regarding accuracy of representations extends to statements made in a written protest to the extent the statements concern:

A. Only the factual basis for the taxpayer's position, never the applicable legal authority cited

B. Only the applicable legal authority cited, never the factual basis for the taxpayer's position

C. Neither category, since accuracy obligations apply only to numerical calculations specifically

D. Both the factual basis for the taxpayer's position and the applicable legal authority cited

25. A practitioner's suspension sanction generally applies for a period that is:

A. Specifically defined by OPR or the resulting disciplinary order, rather than open-ended
B. Always identical in length to the applicable enrollment renewal cycle of three years
C. Left entirely to the practitioner's own discretion to determine and self-impose
D. Automatically extended indefinitely until the practitioner affirmatively petitions for its end

26. A practitioner's monetary penalty under Section 10.50 assessed against a firm generally does NOT preclude:

A. Any further disciplinary action of any kind against any individual practitioner at that firm
B. A separate monetary penalty also being assessed against an individual practitioner within that same firm
C. The firm from continuing normal business operations in every other respect
D. The firm from later voluntarily correcting the underlying conduct that gave rise to the penalty

27. A practitioner's reinstatement following disbarment generally requires demonstrating the practitioner has:

A. Achieved a specific minimum net worth during the period of disbarment
B. Relocated to a different state than the one in which the original disbarment occurred
C. Obtained an entirely new, unrelated professional credential during the disbarment period
D. Complied with all applicable tax obligations during the period of disbarment

28. A practitioner's obligation to disclose a conflict extends to a conflict arising from a referral relationship where the practitioner receives:

A. Only referrals from a party the practitioner has never previously worked with in any capacity
B. Only referrals occurring during a specific calendar quarter of the practitioner's fiscal year
C. Compensation or other benefit for referring clients to a specific third-party service provider
D. Only referrals the client specifically and independently requested in writing

29. A practitioner's overall approach to identifying potential conflicts for a matter involving a family business should generally include:

A. Assuming family relationships automatically eliminate any possibility of a genuine conflict
B. Considering whether family members involved in the business have interests that could genuinely diverge
C. Skipping the conflict check entirely, since family businesses are treated as a single unified client
D. Relying exclusively on the family's own internal assurance that no conflict genuinely exists

30. A practitioner's overall professional obligations under Circular 230 reflect a recognition that taxpayers often lack the specialized knowledge to:

A. Independently navigate complex tax law and procedure without qualified professional assistance
B. Personally attend any IRS proceeding of any kind without a representative physically present
C. Pay any tax liability whatsoever without the direct involvement of a qualified practitioner
D. Understand basic arithmetic operations required to complete a simple tax return

31. A practitioner's overall relationship with the tax administration system is best understood as one involving:

A. Pure advocacy for the client with absolutely no independent obligation to the system whatsoever
B. Pure obligation to the system with no genuine advocacy role for the client whatsoever
C. A genuine dual role of advocating for the client while maintaining independent integrity toward the system
D. No meaningful role at all, since the relationship is treated as purely transactional in nature

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

A. A vague reference to "all applicable periods" with no specific years actually identified
B. Only the current calendar year, regardless of what years the actual matter involves
C. No specific period at all, since the IRS is presumed to infer the applicable years
D. The applicable tax year or a specific range of years, clearly avoiding ambiguity in scope

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

A. Endorse or negotiate a refund check absent specific separate authorization for that particular activity
B. Discuss the specifically covered matters with the assigned IRS employee
C. Receive copies of notices regarding the specifically covered matters
D. Advocate the taxpayer's position at a scheduled examination interview

34. A taxpayer's power of attorney generally terminates as to a specific matter once:

A. The representative simply changes their own personal mailing address
B. The representative takes a scheduled vacation of two weeks or less
C. A new, entirely unrelated tax year for the same taxpayer begins
D. That specific matter and the tax periods it covers reach final resolution

35. A taxpayer's assessment statute of limitations is generally tolled during the pendency of a Collection Due Process hearing where the taxpayer has:

A. Simply requested the hearing without raising any substantive issue whatsoever
B. Also raised the underlying liability as an issue within that same CDP proceeding
C. Already fully paid the entire underlying liability before requesting the hearing
D. Requested the hearing regarding only a proposed levy with no lien involved

36. A taxpayer's Form 872 extension request should generally be evaluated by the practitioner against the taxpayer's:

A. Personal preference for a round number of additional months regardless of the actual need
B. General feelings about the IRS as an institution, regardless of the specific matter's needs
C. Actual need for additional time balanced against the risk of extending the IRS's assessment window
D. Desire to simply delay the matter indefinitely with no genuine underlying purpose

37. A taxpayer's tax position supported by a formal Action on Decision indicating the IRS will not follow an adverse court ruling generally reflects:

A. A guarantee the taxpayer's identical position will ultimately succeed if challenged administratively
B. The IRS's own stated litigating position, which the practitioner should factor into the overall risk assessment
C. No relevance whatsoever to the taxpayer's own current matter or risk assessment
D. Binding law the IRS is legally required to follow in every subsequent case

38. A taxpayer's reliance on a position supported by a well-reasoned law review article authored by a recognized tax law scholar generally reflects:

A. An automatically frivolous position lacking any recognized basis whatsoever
B. A position carrying weight identical to a formal, binding Treasury Regulation on the same topic
C. Grounds for automatic penalty relief regardless of any other circumstances involved
D. Some reasonable basis support, though weaker than a position backed by formal IRS or judicial authority

39. A taxpayer's genuinely good-faith reliance on a qualified practitioner's specific written advice, later found incorrect, generally supports:

A. A reasonable cause defense to certain accuracy-related penalties, subject to the applicable requirements
B. Automatic, unconditional immunity from any and all tax liability regardless of the underlying facts
C. Automatic criminal immunity for the taxpayer regardless of any other surrounding circumstances
D. No defense of any kind whatsoever, since reliance on incorrect advice is always disregarded

40. A taxpayer's failure to disclose a material fact to the IRS, as distinguished from taking an aggressive but disclosed position, is more likely to support a finding of:

A. Legitimate avoidance, since aggressive positions are always treated more harshly than nondisclosure
B. No meaningful legal distinction at all between the two scenarios described
C. Evasion, since the concealment element is a defining hallmark distinguishing evasion from legitimate avoidance

D. Automatic civil liability only, with no possibility of any criminal exposure whatsoever

41. The Taxpayer Advocate Service's role in a case already pending before the IRS Independent Office of Appeals generally is to:

A. Replace Appeals entirely and independently resolve the underlying substantive dispute itself
B. Have no role whatsoever once a matter has reached the Appeals stage of the process
C. Automatically overrule whatever determination Appeals ultimately reaches on the matter
D. Address genuine hardship concerns while generally deferring substantive resolution of the underlying dispute to Appeals

42. A Taxpayer Assistance Order's issuance generally requires balancing the taxpayer's hardship against:

A. The IRS's own legitimate interest in effective and orderly tax administration
B. Only the specific IRS employee's own personal workload for that particular week
C. Only the taxpayer's own general opinion of how quickly the matter should be resolved
D. Only the specific calendar month in which the hardship happens to arise

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

A. Only individual income tax matters, never trust fund recovery penalty or employment tax matters
B. Only matters the EA personally prepared the underlying filing for
C. A trust fund recovery penalty assessment, 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 divorced taxpayer's prior joint returns should generally include confirming:

A. Only the specific date the divorce decree was formally entered by the court

B. Which specific tax years and liabilities remain jointly attributable versus separately attributable post-divorce
C. Only the taxpayer's personal opinion regarding the fairness of the divorce settlement generally
D. Only the former spouse's current occupation and specific employer

45. A conflict check's scope for a matter involving a limited liability company with multiple members should generally extend to:

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

46. A taxpayer's account transcript entry reflecting a substitute for return generally indicates:

A. The taxpayer's own originally filed return was simply lost by the IRS during processing
B. An entry unrelated to any actual IRS action, requiring no further explanation at all
C. The IRS prepared a return on the taxpayer's behalf due to the taxpayer's own failure to file
D. A routine correction the IRS made to a minor mathematical error on the return

47. A practitioner's analysis of a taxpayer's ability to pay using the Collection Financial Standards should generally account for a household's:

A. Total number of members, since allowable expense amounts under the standards vary by household size
B. Only the taxpayer's own personal preference for how the household expenses should be allocated
C. Only whether household members are related by blood versus by marriage specifically
D. Only the specific ages of household members regardless of any other factor

48. A requesting spouse's Innocent Spouse Relief claim should generally address the requesting spouse's actual:

A. Personal hobbies and interests entirely unrelated to the couple's financial affairs
B. Specific religious or cultural background unrelated to the couple's financial affairs
C. Physical appearance or general demeanor unrelated to the couple's financial affairs
D. Educational and business experience level, relevant to assessing the plausibility of the claimed lack of knowledge

49. A practitioner's documentation for a requesting spouse's Equitable Relief claim under Section 6015(f) should generally address whether the requesting spouse:

A. Ever attended the same social gatherings as the other spouse's extended family
B. Significantly benefited, beyond normal support, from the items causing the understatement
C. Shared the exact same taste in home decor and furnishings throughout the marriage
D. Had the same number of years of formal education completed as the other spouse

50. A practitioner's early assessment of potential criminal exposure in a matter involving a client's use of a nominee entity should generally weigh:

A. Whether the nominee structure was used to conceal ownership or income from the IRS
B. Only the specific state in which the nominee entity happened to be formed
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 matter involving a nominee entity structure should generally include:

A. No information whatsoever, since the referral itself is treated as sufficient on its own
B. Only the client's billing history with the referring practitioner's own firm
C. A summary of the relevant facts regarding the entity's use, subject to any applicable privilege
D. Only the referring practitioner's own personal opinion of the client's overall character

52. A Kovel arrangement's application to a matter involving a nominee entity structure generally requires the accountant's analysis to be:

A. Conducted entirely independently of any attorney direction or involvement whatsoever
B. Shared freely and openly with the IRS as the analysis progresses
C. Focused exclusively on matters having no connection whatsoever to any legal advice
D. Directed by the attorney and genuinely connected to assisting the attorney's legal advice on the structure

53. A practitioner's case-building documentation for a matter involving a taxpayer's claimed reliance on a nominee entity's separate legal existence generally should include:

A. Only the taxpayer's own general assertion that the entity is legally separate with no supporting evidence
B. Only the specific fee the taxpayer paid to originally form the entity
C. Only the specific date on which the entity was originally formed, with no further detail
D. Evidence supporting the entity's genuine separate legal existence and business purpose

54. A practitioner's overall case assessment for a matter involving a nominee entity should generally distinguish between:

A. Only entities formed before versus after a specific arbitrary calendar date
B. Only entities formed in one specific state versus entities formed in another specific state
C. Legitimate business purposes for the entity's use and purposes primarily aimed at concealment
D. Only entities with a name containing the word "trust" versus entities without that word

55. A practitioner's overall case-building strategy for a matter involving a genuinely complex corporate structure should generally include:

A. An organizational chart or similar visual aid clarifying the relationships among the various entities
B. Only a narrative description with no visual aid of any kind provided at all
C. Only the examiner's own proposed characterization of the structure, accepted without independent verification
D. Avoiding any depiction of the structure entirely to prevent inviting additional scrutiny

56. A practitioner's overall preliminary case assessment process for a matter involving multiple related entities should generally include documenting:

A. Only the practitioner's own personal fee arrangement for handling the specific matter
B. The specific ownership and control relationships among the various entities involved in 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 taxpayer's claimed lack of control over a related entity should generally document:

A. The specific evidence regarding actual decision-making authority within the entity's structure
B. Only the taxpayer's own personal, subjective belief that lack of control genuinely exists
C. Only the specific total dollar amount of the entity's overall annual revenue
D. Only the specific date the entity's governing documents were originally executed

58. A practitioner's overall approach to preliminary case assessment for a matter involving a genuinely novel factual scenario should generally reflect:

A. Immediate commitment to a specific strategy before any meaningful fact development has occurred
B. Complete avoidance of the novel scenario in favor of addressing only more familiar, comfortable issues
C. Careful, thorough fact development before committing to a specific strategic approach
D. Deference entirely to the client's own proposed strategy with no independent practitioner analysis

59. A practitioner's case-building process ultimately aims to ensure that any conclusions reached about a complex structure are:

A. Automatically favorable to the taxpayer regardless of what the actual facts developed ultimately show

B. Genuinely supported by the actual facts developed, not assumed based on the structure's mere complexity
C. Automatically unfavorable to the taxpayer whenever a structure is complex, regardless of the actual facts
D. Based primarily on the practitioner's own initial gut impression formed before any fact development occurs

60. A practitioner's overall case-building philosophy for a matter involving a complex entity structure should generally reflect an understanding that:

A. Any complex structure should automatically be presumed to reflect improper tax avoidance
B. Complex structures never actually warrant any additional documentation beyond a routine matter
C. The IRS is legally prohibited from ever examining any matter involving a complex entity structure
D. Complexity alone does not itself establish wrongdoing, though it may warrant more thorough documentation

61. A taxpayer's short-term payment plan for a balance owed generally does NOT require:

A. An estimate of when the taxpayer expects to be able to fully pay the balance
B. The taxpayer to remain current on all subsequently filed returns going forward
C. The taxpayer to actually owe a specific balance that is genuinely payable in the near term
D. Submission of a full Collection Information Statement, unlike a non-streamlined installment agreement

62. A taxpayer's guaranteed installment agreement request generally requires the taxpayer to agree to:

A. Full compliance with future filing and payment obligations for the duration of the agreement
B. A specific minimum monthly payment identical for every taxpayer regardless of the balance owed
C. A mandatory lien filing as a condition of the agreement being granted
D. Waiving any future right to request an offer in compromise on any other tax year

63. A taxpayer's offer in compromise based on Doubt as to Liability generally does NOT require:

A. A written statement explaining why the taxpayer believes the assessed liability is incorrect
B. Submission of Form 433-A or 433-B financial information, unlike a Doubt as to Collectibility offer
C. Payment of the applicable application fee, unless a recognized exception applies
D. Submission on the properly completed Form 656 or its designated Doubt as to Liability variant

64. A taxpayer's periodic-payment offer in compromise generally requires continued payments to be made:

A. Only once, at the time of the initial submission, with no further payments required during review
B. Annually, on the anniversary date of the original offer's submission
C. Monthly, beginning with the first full month after the offer's submission and continuing through IRS review
D. Only if the IRS specifically requests an additional payment during its review of the offer

65. A lien discharge under Section 6325(b)(2)(A) generally applies where the IRS receives:

A. No payment whatsoever, since this specific discharge category requires no payment at all
B. An amount specifically less than the government's actual interest in the property
C. A payment made by an entirely unrelated third party with no connection to the taxpayer
D. An amount equal to the government's interest in the specific property being discharged

66. A levy's exemption for a taxpayer's minimum weekly income generally is calculated based on:

A. A single flat dollar amount identical for every taxpayer regardless of any personal circumstances
B. The taxpayer's filing status and number of dependents, applying published IRS exemption tables
C. The taxpayer's total gross annual salary with no further adjustment applied
D. The taxpayer's specific employer's total number of employees company-wide

67. A Currently Not Collectible taxpayer's account should generally be reviewed by the IRS:

A. Only once, at the time the CNC determination was originally made, with no further review ever
B. Only if the taxpayer voluntarily requests a review of the taxpayer's own account
C. Periodically, to determine whether the taxpayer's financial circumstances have genuinely changed
D. Only after the collection statute has fully and completely expired

68. A taxpayer's CDP hearing request that raises both a collection alternative and, for the first time, a challenge to the underlying liability generally will result in Appeals:

A. Considering the liability challenge only if the taxpayer genuinely lacked a prior opportunity to dispute it
B. Automatically dismissing the entire hearing request due to raising more than one type of issue
C. Considering only the liability challenge and disregarding the collection alternative entirely
D. Considering only the collection alternative and disregarding the liability challenge entirely

69. A TFRP assessment's finality generally is established through:

A. The mere passage of time with no formal assessment action ever actually taken by the IRS
B. A private agreement between the responsible person and the business entity alone
C. The IRS's issuance of the assessment following the responsible person's opportunity to respond and appeal
D. A state court's own separate determination entirely unrelated to any federal TFRP process

70. A responsible person's TFRP liability generally is joint and several with other responsible persons, meaning:

A. Each responsible person owes a separate, fully independent, and cumulative full penalty amount
B. The IRS may collect the full amount from any one responsible person, subject to the overall cap on total collection
C. Only the single most senior responsible person may ever actually be pursued for collection
D. The total collectible amount increases proportionally with each additional responsible person identified

71. A practitioner's Section 7525 privilege claim generally may be asserted against an IRS summons enforcement action in:

A. Only a criminal tax prosecution proceeding specifically

B. Only a state court proceeding involving a purely state tax matter

C. No forum whatsoever, since summons enforcement actions are treated as exempt from any privilege claim

D. A federal district court proceeding, since summons enforcement is a noncriminal civil matter

72. A taxpayer's Cohan estimate is generally more likely to be accepted where the examiner can independently corroborate:

A. At least some portion of the claimed expense through objective, third-party evidence

B. Only the taxpayer's own subjective belief regarding the expense's genuine accuracy

C. Only the taxpayer's overall general reputation for honesty within the local community

D. Only the taxpayer's stated intention to be more diligent about recordkeeping going forward

73. A practitioner's review of an RAR's proposed adjustments involving multiple tax years should generally verify:

A. Only whether each individual year's adjustment happens to be presented on a separate page

B. Only the specific order in which the various tax years are listed within the report

C. Only whether the total number of years addressed happens to be an even or odd number

D. Whether adjustments in one year create consistent, appropriate downstream effects in related subsequent years

74. A taxpayer's response to a 30-day letter proposing adjustments across multiple issues should generally organize the response by:

A. Combining all issues into a single undifferentiated response with no issue-specific breakdown

B. Addressing only the single issue involving the largest proposed dollar adjustment

C. Addressing each specific issue individually, with the taxpayer's position and support for each

D. Addressing issues in the exact same order the examiner happened to list them, with no reorganization

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

A. The taxpayer's actual Schedule C and any related Form 1099-NEC or 1099-K documentation
B. Only the specific payer's overall general reputation in the relevant industry
C. Only the specific font used to display the discrepancy amount on the notice itself
D. Only whether the notice includes a specific customer service phone number

76. A taxpayer's Tax Court petition should generally be reviewed before filing to confirm it satisfies:

A. Only the taxpayer's own personal, subjective preference for the petition's overall length
B. The Court's specific jurisdictional and procedural filing requirements, including proper service
C. Only whether the petition happens to be printed on a specific weight or color of paper
D. Only whether the petition includes a personal photograph of the taxpayer

77. A taxpayer's Appeals conference regarding a matter with both strong and weak supporting issues should generally be approached by:

A. Leading with the strongest issues while still adequately addressing the genuinely weaker ones
B. Presenting only the strongest issues and entirely omitting any mention of the weaker ones
C. Presenting only the weakest issues first to get them out of the way before the stronger ones
D. Presenting every issue in exactly the same order and with exactly equal emphasis regardless of strength

78. A taxpayer's decision to accept an Appeals settlement involving a payment plan should generally be documented to specify the:

A. Only the Appeals Officer's own personal contact information for future informal reference
B. Only the specific building floor where the settlement conference actually took place

C. Only the taxpayer's general overall satisfaction with the settlement negotiation process
D. Specific payment amounts, due dates, and consequences of default under the settlement

79. A taxpayer's small tax case election should generally be reconsidered where subsequent developments reveal:

A. The taxpayer simply changed their mind about wanting a faster overall proceeding
B. The disputed dollar amount happens to remain comfortably under the applicable threshold
C. The matter's actual stakes or legal complexity are substantially greater than originally anticipated
D. The taxpayer's representative has since gained additional general experience with small cases

80. A taxpayer's formal written protest for a matter involving multiple related tax years should generally:

A. Address only the single year the taxpayer personally considers most significant, ignoring the others
B. Clearly identify and address each affected tax year, noting how the years are related
C. Require filing an entirely separate protest document for each individual affected tax year
D. Combine all years into a single undifferentiated total with no year-specific breakdown provided

81. A taxpayer's Appeals settlement resolving a multi-year matter should generally be documented to specify:

A. The specific resolution reached for each affected tax year individually
B. Only the Appeals Officer's own general personal philosophy regarding multi-year matters generally
C. Only the specific date the earliest of the affected tax years was originally filed
D. Only the taxpayer's general overall satisfaction with how the entire matter was ultimately resolved

82. A taxpayer's decision to pursue Post-Appeals Mediation for a multi-year matter with several remaining unresolved issues should generally weigh whether:

A. The specific mediator happens to share the taxpayer's own general political views

B. Mediation could efficiently address multiple remaining issues together rather than requiring separate proceedings
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 for a multi-year matter resulting in different treatment for different years generally reflects:

A. A clerical error the IRS will likely discover and subsequently correct at a later date
B. Grounds for automatic reopening of the entire settlement by the IRS at any point in the future
C. Independent hazards-of-litigation assessments genuinely applied separately to each affected year's specific issues
D. Proof the original examiner who proposed the adjustments acted with genuine bad faith throughout

84. A practitioner's overall approach to Appeals representation in a multi-year matter should generally reflect an understanding that:

A. Every affected year must automatically receive an identical resolution regardless of any distinct facts
B. Only the earliest affected year's resolution genuinely matters, with later years being purely derivative
C. Only the most recent affected year's resolution genuinely matters, with earlier years being purely derivative
D. Each affected year's resolution may depend on that year's own distinct facts, even within a related matter

85. A preparer's software calculation should generally be cross-checked against manual calculation for:

A. Every single figure on every return regardless of complexity, with no exception whatsoever
B. No figures at all, since manual cross-checking is treated as an obsolete, unnecessary practice
C. Unusually large or complex figures where a data-entry error would have significant consequences
D. Only figures the client specifically requests be manually double-checked

86. A preparer's discovery of a duplicate entry that was caught by the software's own built-in error-checking feature illustrates:

A. That human review is now entirely unnecessary given the software's own demonstrated error-checking capability
B. The value of layered review combining both automated software checks and independent human review
C. That the software itself is fundamentally unreliable and should be discontinued entirely
D. That duplicate entries can never actually occur when using properly functioning software

87. A preparer's Section 6107(b) recordkeeping list, if maintained instead of full copies, should generally be updated:

A. Only once per year, at the very end of the entire filing season
B. Only if the IRS specifically requests the list be produced
C. Only if a specific client formally requests to see the list maintained
D. Contemporaneously as each return is actually prepared, rather than reconstructed later from memory

88. A preparer's data security policy should generally address the specific risk of:

A. Unauthorized access to client data through a compromised employee password or credential
B. Only risks entirely unrelated to any form of technology or electronic systems whatsoever
C. Only risks specifically involving natural disasters affecting the physical office building
D. Only risks specifically involving the firm's choice of office furniture vendor

89. An IRS e-file Application's approval process generally includes verification of the applicant's:

A. Personal preference for a specific brand of computer hardware or software
B. Specific choice of business cards or letterhead design used by the firm
C. Identity and relevant background, consistent with the program's overall suitability standards
D. General taste in office wall art or interior decorating choices

90. A firm's e-file Provider status information should generally be updated promptly upon:

A. Any minor change to the firm's general marketing materials with no substantive connection to the application
B. A material change in the firm's ownership structure or the personnel responsible for e-file compliance
C. The firm's routine annual renewal of its general business insurance policy
D. The firm's decision to update its office's interior paint color or general decor

91. A preparer's covered-return volume determination should generally be based on a reasonable expectation formed:

A. At the relevant point during the specific calendar year the determination actually covers
B. Based entirely on the preparer's total volume across the preparer's entire multi-decade career
C. Based entirely on a single, isolated tax season from many years in the past
D. Based on a number specifically and individually assigned to the preparer directly by the IRS

92. A preparer's Form 8948 for a return involving a client's specific religious objection should generally be retained:

A. For no defined period at all, since retention for this specific exception category is treated as purely discretionary
B. Only until the specific tax season in which it was originally created has fully concluded
C. Only if the client specifically requests that the form be separately and additionally retained
D. Consistent with the preparer's general Section 6107(b) recordkeeping retention obligations

93. A preparer's Form 8944 hardship waiver, once approved for a specific period, generally requires a new request where:

A. The preparer simply prefers to file the identical request again for administrative convenience only
B. The preparer wishes to continue paper filing beyond the period the original approval actually covers
C. A single tax season has passed since the original approval was granted, regardless of the approval's actual terms

D. The preparer's total covered-return volume has decreased since the original approval was granted

94. A taxpayer's Form 8879 authorization obtained remotely via video conference should generally satisfy applicable requirements where the process:

A. Simply involves the taxpayer verbally stating agreement with no further identity confirmation performed at all

B. Requires no video recording or documentation of any kind whatsoever of the remote session

C. Is conducted entirely by an unsupervised junior staff member with no oversight of any kind

D. Reliably confirms the taxpayer's identity and genuinely captures the taxpayer's actual intent to authorize the filing

95. An ERO's Form 8879 retention obligation should generally be reflected in the firm's overall document retention schedule alongside:

A. Only the firm's own internal marketing materials with no connection to client records

B. Only the firm's own internal employee personnel files with no connection to client records

C. Other client records subject to the applicable Section 6107(b) retention requirements

D. Only the firm's own general facility maintenance records with no connection to client records

96. A preparer's process for confirming whether a specific attachment requires Form 8453 transmittal should generally be built into:

A. The firm's standard return preparation workflow, applied consistently across all preparers

B. Only an informal, ad hoc process left entirely to each individual preparer's own personal discretion

C. Only a process triggered after a specific rejection has already actually occurred

D. Only a process reviewed once during the firm's initial e-file Provider application

97. A rejected return's perfection period correction involving an incorrect bank routing number should generally be verified against:

A. The client's actual bank account documentation confirming the correct routing and account numbers
B. Only the preparer's own memory of the routing number from having prepared a prior year's return
C. Only the client's own verbal restatement of the number with no documentary confirmation
D. Only whichever routing number was used on the most recently prepared return for any client

98. A preparer's overall response protocol for a suspected identity theft rejection pattern affecting multiple unrelated clients should generally include:

A. Assuming each affected client's situation is entirely coincidental with no common underlying cause
B. Addressing each affected client's situation individually with no consideration of any broader pattern
C. Investigating whether a common source, such as a shared data breach, might explain the pattern observed
D. Waiting for additional similar rejections to accumulate before taking any investigative action

99. A preparer's overall e-file compliance program's documentation should generally be organized to allow:

A. Maximum physical storage space consumption regardless of any genuine organizational benefit
B. Efficient demonstration of the firm's compliance efforts if ever questioned by the IRS or a client
C. The preparer's own convenience in discarding older, no-longer-relevant records prematurely
D. Sharing the documentation freely and openly with any unrelated third party requesting it

100. An e-file Provider's overall commitment to compliance ultimately serves the broader goal of:

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. Maintaining public and institutional trust in the electronic filing system that taxpayers and preparers both rely upon

Practice Exam 14: Answer Key and Explanations

1. B — B—Enrollment generally remains valid until voluntarily surrendered, allowed to lapse through nonrenewal, or formally revoked through a Circular 230 disciplinary proceeding. It does not expire after a fixed ten years regardless of renewal, is not subject to any mandatory retirement age, and does not depend on preparing any specific minimum number of returns.

2. A — A—A continuing education audit generally requires the practitioner to produce documentation substantiating the specific hours actually claimed for the applicable renewal cycle. It does not require retaking the full SEE, does not require paying an additional audit-specific fee, and does not require obtaining a character reference letter from another practitioner.

3. D — C—Non-qualifying hours generally do not count at all toward the renewal requirement, requiring the practitioner to obtain qualifying makeup hours to satisfy the requirement fully. This is not consequence-free despite good-faith reliance, does not result in automatic disbarment, and does not disqualify every other properly earned hour the practitioner has completed.

4. C — A—Section 10.52 sanctions generally require establishing the violation was willful, reckless, or the product of gross incompetence, depending on the specific provision actually at issue. It is not limited to entirely accidental, unintentional conduct, does not require intent to harm the client specifically, and does not require a client report before OPR may act.

5. C — C—Due diligence generally requires a reasonable inquiry into whether the claimed expenses genuinely qualify and actually exceed the applicable adjusted gross income threshold set. 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.

6. D — D—A position supported only by a rejected dissent reflects weak authoritative support, since a dissenting opinion carries no binding precedential weight compared to the majority's actual holding. It is not equivalent in strength to the majority opinion, does not itself guarantee penalty relief, and is not comparable in strength to a published Revenue Ruling.

7. A — A—The recognized exception applies where the amended return is filed in connection with an examination of, or a claim for credit or refund related to, the original return. A mere preference to correct a typo, a routine address update, and a simple switch to the standard deduction do not themselves trigger this specific recognized contingent fee exception.

8. B — B—Such a scaling fee arrangement should be disclosed to the client in advance as a genuine possibility, with the basis for any later adjustment clearly explained when it occurs. Silently adjusting without informing the client, rigidly fixing the fee regardless of evolving complexity, and relying entirely on a verbal understanding are all inappropriate approaches here.

9. A — A—Such a claim is permitted if the stated combined experience figure is accurately calculated and genuinely reflects the actual collective experience of the firm's staff. Combining experience figures is not categorically banned, the figure must be accurately calculated to be permissible, and there is no requirement every individual staff member personally exceed ten years.

10. D — D—This analysis evaluates whether the former representation created an ongoing duty, such as confidentiality, that would be violated by the new adverse representation. The former client's total fees paid, the practitioner's personal feelings toward the former client, and mere elapsed months are not themselves the substantive factors this analysis turns on.

11. B — B—Proper documentation should clearly address whether the new matter is substantially related to the former representation such that confidential information could genuinely be implicated. The former client's opinion of competence, the new client's fee amount, and whether the former client retained different representation are not themselves this required documentation content.

12. C — C—Sound procedures should address promptly revoking system access and confirming the actual return of any physical or electronic client records upon a staff member's departure. Leaving access unchanged indefinitely, merely assuming voluntary return with no confirmation, and ignoring the departure entirely absent a client complaint all reflect inadequate security procedures.

13. A — A—A materiality requirement generally means the false statement could have influenced the IRS's decision-making on the matter, not that it necessarily actually did influence the outcome. It does not require the statement to have actually succeeded in influencing the decision, does not require a notarized document, and carries no minimum dollar threshold requirement.

14. B — B—The practitioner remains responsible for ensuring accurate communications made through authorized staff acting on the practitioner's behalf, extending the accuracy obligation appropriately. Staff are not treated as bearing sole independent responsibility, the obligation is not limited only to the practitioner's own direct statements, and staff communications remain within Circular 230's scope.

15. D — D—Failing to address a well-known, directly contrary IRS position reflects a potential deficiency in the balanced analytical rigor Circular 230 genuinely expects of written opinions. This is not full compliance despite the omission, is not outside Circular 230's regulatory concern, and a favorable ultimate result does not itself cure this specific analytical deficiency.

16. C — C—Competence here generally requires engaging a qualified valuation expert or appropriately referring that specific aspect of the matter to genuine specialists with the needed expertise. Providing an unsupported personal estimate, declining the entire matter outright, and relying solely on the client's own subjective opinion are all inappropriate responses to this specific competence gap.

17. A — A—Years-in-business claims should be calculated from the firm's actual date of formation or the practitioner's actual start of practice, accurately and honestly stated. An arbitrary earlier date chosen to appear more established, the current lease's start date, and the website's redesign date are all inappropriate, misleading bases for this specific claim.

18. C — C—Section 10.20 applies to a request made by an IRS employee acting within the scope of that employee's actual authorized duties and genuine authority granted. It does not extend to a request made entirely outside the employee's authorized scope, does not depend on a specific supervisory title, and applies regardless of the request's specific delivery method.

19. B — B—Failing to identify clearly applicable Child Tax Credit 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.

20. D — D—Documenting even a negative finding creates a contemporaneous record supporting the practitioner's actual diligence in performing the conflict check at the engagement's outset. There is no specific regulatory mandate for a detailed report on every negative finding, an undocumented negative finding is not itself automatically a violation, and clients do not automatically demand a copy.

21. B — B—This violation does not require proof of actual, quantifiable financial harm to any specific client, since it addresses the practitioner's own personal compliance rather than client-directed harm. It does require the noncompliance be willful, does require it involve the practitioner's own filing obligations, and does involve OPR considering the pattern and circumstances.

22. C — C—Confidentiality obligations apply regardless of the specific communication medium, whether verbal, written, or electronic, covering the full range of how information is shared. This is not necessarily contingent on the client explicitly labeling it confidential, is not limited to formal meetings, and continues even after the client becomes a former client.

23. A — A—Declining representation of a position lacking even a reasonable basis, despite client insistence, is an appropriate exercise of professional judgment consistent with Circular 230's 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.

24. D — D—This accuracy obligation extends to both the factual basis for the taxpayer's position and the applicable legal authority cited in the protest document. It is not limited only to factual representations, is not limited only to legal representations, and is not limited only to purely numerical calculations the return might involve.

25. A — A—A suspension applies for a period specifically defined by OPR or the resulting disciplinary order, rather than being open-ended or otherwise undefined in duration. It is not always identical in length to the three-year renewal cycle, is not left to the practitioner's own discretion, and does not automatically extend indefinitely absent a petition.

26. B — B—A firm-level penalty does not preclude a separate monetary penalty also being assessed against an individual practitioner within that same firm, since these sanctions can coexist. It does not preclude any further disciplinary action generally, does not prevent continued normal business operations otherwise, and does not preclude later voluntary correction of the conduct.

27. D — D—Reinstatement generally requires demonstrating the practitioner has complied with all applicable tax obligations during the disbarment period, evidencing genuine rehabilitation. It does not require achieving a specific net worth, does not require relocating to a different state, and does not require obtaining an entirely unrelated new professional credential during that period.

28. C — C—Disclosure obligations extend to a conflict arising from a referral relationship where the practitioner receives compensation or another benefit for referring clients to a specific provider. This is not limited to referrals from an entirely new party, is not limited to a specific calendar quarter, and is not limited to referrals the client specifically requested.

29. B — B—A sound approach includes considering whether family members involved in the business have interests that could genuinely diverge from one another in the specific matter. Assuming family relationships automatically eliminate conflict, skipping the check entirely, and relying exclusively on the family's own internal assurance are all inadequate approaches to this necessary check.

30. A — A—These obligations reflect the recognition that taxpayers often genuinely lack the specialized knowledge needed to independently navigate complex tax law and procedure without qualified assistance. This is not about a taxpayer's ability to personally attend a proceeding, is not about paying a liability without practitioner involvement, and is not about basic arithmetic ability.

31. C — C—This relationship involves a genuine dual role of advocating for the client's legitimate interests while simultaneously maintaining independent integrity toward the broader tax system. It is not pure advocacy with no obligation to the system, is not pure system obligation with no client advocacy, and is not a purely transactional relationship lacking meaningful substance.

32. D — D—A proper power of attorney identifies the applicable tax year or a specific range of years, clearly avoiding ambiguity regarding the actual scope of authorization. A vague "all applicable periods" reference, defaulting only to the current year regardless of the matter's actual scope, and specifying no period at all are all insufficiently specific approaches.

33. A — A—A standard power of attorney generally never authorizes the representative to endorse or negotiate a specific refund check absent specific separate authorization checked for that particular heightened activity. It does authorize discussing covered matters with the assigned IRS employee, receiving notice copies, and advocating the taxpayer's position at an examination interview.

34. D — D—A power of attorney terminates as to a specific matter once that matter and the covered tax periods reach genuine final resolution, ending the authorization's practical purpose. A simple address change, a brief scheduled vacation, and the start of an entirely unrelated new tax year do not themselves terminate the underlying authorization for the covered matter.

35. B — B—Tolling in this context specifically applies where the taxpayer has also raised the underlying liability as an issue within the CDP proceeding, not merely from requesting a hearing generally. Simply requesting a hearing with no substantive issue raised, already having fully paid, and a levy-only request do not themselves trigger this specific liability-related tolling.

36. C — C—This request should be evaluated against the taxpayer's actual, genuine need for additional time balanced against the real risk of extending the IRS's assessment window further. A mere preference for a round number of months, general institutional feelings, and a desire for indefinite delay with no purpose are not themselves the proper substantive basis.

37. B — B—An Action on Decision reflects the IRS's own stated litigating position, a genuinely relevant factor the practitioner should incorporate into the overall risk assessment for the matter. It does not guarantee ultimate success administratively, is not entirely without relevance to the taxpayer's own matter, and does not constitute binding law the IRS must follow.

38. D — D—Reliance on a well-reasoned scholarly article reflects some reasonable basis support, though genuinely weaker than a position backed by formal IRS or judicial authority actually on point. 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.

39. A — A—Genuine good-faith reliance on qualified written advice, even when later found incorrect, can support a reasonable cause defense to certain accuracy-related penalties under the applicable requirements. This does not confer unconditional immunity from the underlying tax liability itself, does not confer criminal immunity, and is not simply disregarded as no defense at all.

40. C — C—Failing to disclose a material fact is more likely to support an evasion finding, since concealment is the defining hallmark distinguishing evasion from legitimate, transparent avoidance. This does not describe legitimate avoidance, these scenarios are not legally indistinguishable, and genuine concealment can carry real criminal exposure, not merely civil liability.

41. D — D—TAS generally addresses genuine hardship concerns while deferring the substantive resolution of the underlying dispute to Appeals, which retains primary jurisdiction over that resolution. TAS does not replace Appeals or independently resolve the substantive dispute, does not have no role at this stage, and cannot automatically overrule Appeals' ultimate determination.

42. A — A—A TAO's issuance generally involves carefully and genuinely balancing the taxpayer's hardship against the IRS's own legitimate interest in effective, orderly tax administration overall broadly. The specific employee's weekly workload, the taxpayer's own general opinion about resolution speed, and the specific calendar month are not themselves this required balancing consideration.

43. C — C—An EA's unlimited practice rights extend to trust fund recovery penalty assessments, 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. B — B—A proper preliminary assessment confirms which specific tax years and liabilities remain jointly attributable versus separately attributable following the divorce. The divorce decree's specific entry date alone, the taxpayer's opinion of the settlement's fairness, and the former spouse's current occupation are not themselves the substantive factors this assessment should focus on.

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

46. C — C—A substitute for return entry indicates the IRS prepared a return on the taxpayer's behalf specifically due to the taxpayer's own failure to file the required return. It does not indicate an originally filed return was simply lost, is not unrelated to any actual IRS action, and is not a routine mathematical error correction to an existing filed return.

47. A — A—A proper analysis accounts for the household's total number of members, since the allowable expense amounts under the Collection Financial Standards genuinely vary by household size. The taxpayer's own allocation preference, blood versus marriage relationships, and ages alone regardless of other factors are not themselves the primary basis for this specific standards-based analysis.

48. D — D—This claim should address the requesting spouse's actual educational and business experience level, genuinely relevant to assessing the plausibility of the claimed lack of knowledge. Unrelated personal hobbies, unrelated religious or cultural background, and unrelated physical appearance or demeanor are not themselves the relevant factors this claim's evaluation should focus on.

49. B — B—Proper documentation should always carefully address whether the requesting spouse significantly benefited, beyond normal support, from the specific items actually causing the understatement at issue itself. Shared social gatherings with the other spouse's family, shared decor taste, and comparative years of education are not themselves this specific relevant significant-benefit factor.

50. A — A—A sound assessment weighs whether the nominee structure was genuinely used to conceal ownership or income from the IRS, the substantive concern such structures can raise. The specific state of formation, 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. C — C—A proper referral generally includes a summary of the relevant facts regarding the entity's actual use, subject to applicable privilege considerations, facilitating an informed handoff. Providing no information at all, only billing history, and only a personal character opinion do not themselves constitute an adequately informative referral to new counsel.

52. D — D—A proper Kovel arrangement requires the accountant's analysis be directed by the attorney and genuinely connected to assisting the attorney's actual legal advice on the structure. Work conducted entirely independently of attorney direction, freely shared with the IRS, and disconnected from legal advice would all undermine the arrangement's protective validity.

53. D — A—Proper documentation should include evidence genuinely supporting the entity's actual separate legal existence and legitimate business purpose, substantiating the claimed reliance made. A bare general assertion of separateness with no supporting evidence, merely the formation fee, and merely the formation date are all insufficient without this more complete substantiating evidence.

54. C — A—A proper case assessment should carefully distinguish between legitimate business purposes for the entity's genuine use and purposes primarily aimed at improper concealment, a genuine substantive distinction. An arbitrary formation date, the specific state of formation, and mere naming convention are not themselves meaningful analytical distinctions this specific assessment should draw.

55. A — A—Case-building for a genuinely complex corporate structure should include an organizational chart or similar visual aid clarifying the relationships among the various entities involved. Relying only on narrative with no visual aid, simply accepting the examiner's characterization without verification, and avoiding depiction entirely all fail to properly clarify this complexity.

56. B — A—A thorough preliminary assessment should always very carefully and clearly include documenting the specific ownership and control relationships among the various entities genuinely involved in the matter. 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. A — A—Case-building for a claimed lack of control should carefully document the specific evidence regarding actual decision-making authority within the entity's genuine organizational structure itself. The taxpayer's own subjective belief alone, merely the entity's annual revenue, and merely the governing documents' execution date are not themselves this required substantive documentation content.

58. C — C—A sound approach reflects careful, thorough fact development before committing to a specific strategic approach for the genuinely novel scenario presented. Immediately committing to a strategy before fact development, avoiding the novel scenario entirely, and deferring entirely to the client's own proposed strategy all fail to reflect this necessary careful approach.

59. B — B—The genuine aim is ensuring conclusions are actually supported by the facts genuinely developed, not simply assumed favorable or unfavorable based on mere structural complexity alone. It does not aim for automatically favorable or automatically unfavorable conclusions regardless of facts, and does not rely on an initial unexamined gut impression.

60. D — D—This philosophy should reflect the understanding that mere complexity does not itself establish wrongdoing, though it may genuinely warrant more thorough documentation to properly substantiate the position. Complexity should not be automatically presumed improper, does not warrant no additional documentation, and the IRS is not prohibited from examining such matters.

61. D — D—A short-term plan generally does not require submitting a full Collection Information Statement, unlike a non-streamlined agreement, given its simpler, shorter-duration nature. It does require an estimate of when the balance can be fully paid, does require remaining current on subsequent filings, and does require the balance actually be payable in the near term.

62. A — A—A guaranteed agreement requires the taxpayer to agree to full compliance with future filing and payment obligations throughout the duration of the agreement. It does not impose an identical minimum payment regardless of the actual balance owed, does not mandate a lien filing as a condition, and does not require waiving future offer in compromise rights on other years.

63. B — B—A Doubt as to Liability offer generally does not require submitting Form 433-A or 433-B financial information, unlike a Doubt as to Collectibility offer's financial disclosure requirement. It does require a written explanation of why the liability is believed incorrect, does require the applicable application fee absent an exception, and does require the proper Form 656 submission.

64. C — C—A periodic-payment offer requires monthly payments beginning with the first full month after submission and continuing throughout the entire IRS review period. It is not a single payment at submission with no further payments, is not made only annually, and does not depend on the IRS specifically requesting an additional payment.

65. D — D—This discharge category generally applies where the IRS receives an amount equal to the government's actual interest in the specific property being discharged from the lien. It does not apply with no payment at all, does not apply with a payment less than the government's actual interest, and does not require the payment come from an unrelated third party.

66. B — B—This exemption is calculated using published IRS exemption tables based on the taxpayer's filing status and number of dependents, tailoring the exempt amount appropriately. It is not a single flat amount identical for everyone, is not based on total gross annual salary alone, and is unrelated to the employer's total company-wide employee count.

67. C — C—A CNC account is generally reviewed periodically by the IRS to determine whether the taxpayer's financial circumstances have genuinely changed since the original determination. It is not reviewed only once with no further review, is not reviewed only at the taxpayer's own voluntary request, and review occurs before, not only after, the collection statute fully expires.

68. A — A—Appeals will generally consider the liability challenge only if the taxpayer genuinely lacked a prior opportunity to dispute it, a specific limited circumstance under CDP rules. The hearing is not automatically dismissed for raising multiple issue types, and Appeals does not disregard either the liability challenge or the collection alternative entirely without basis.

69. C — C—Finality is established through the IRS's actual issuance of the assessment following the responsible person's genuine opportunity to respond and pursue an administrative appeal. It is not established merely by the passage of time with no formal action, a private agreement between the person and the business, or an unrelated state court determination.

70. B — B—Joint and several liability means the IRS may collect the full amount from any one responsible person, though the total amount actually collected across everyone is capped at the single unpaid liability. It is not a cumulative multiplied liability across each person, is not limited to pursuing only the most senior person, and does not increase with additional persons identified.

71. D — D—This privilege may generally be asserted in a federal district court proceeding since summons enforcement is a noncriminal civil matter falling within Section 7525's scope. It is not limited to criminal tax prosecutions specifically, does not apply in state court matters involving purely state tax issues, and is not categorically exempt from assertion.

72. A — A—An estimate is more likely accepted where the examiner can independently corroborate at least some portion of the claimed expense through objective, genuine third-party evidence available. The taxpayer's own subjective belief, general community reputation for honesty, and a stated future intention to improve recordkeeping do not themselves provide this needed independent corroboration.

73. D — D—A proper multi-year review verifies whether adjustments in one year create consistent, appropriate downstream effects in related subsequent years, such as carryforward items. Whether each year is on a separate page, the listing order, and whether the year count is even or odd are all irrelevant to this genuine substantive multi-year consistency review.

74. C — C—An effective response should always carefully organize by addressing each specific issue individually, with the taxpayer's actual position and supporting evidence provided for each one. Combining all issues undifferentiated, addressing only the largest issue, and rigidly following the examiner's listing order with no reorganization all undersell the taxpayer's overall response.

75. A — A—This should prompt verification against the taxpayer's actual Schedule C and any related Form 1099-NEC or 1099-K documentation genuinely supporting the reported income. The payer's general industry reputation, the specific display font, and whether a phone number is included are all irrelevant to this genuine substantive verification actually needed here.

76. B — B—Pre-filing review should carefully confirm the petition satisfies the Court's specific jurisdictional and procedural filing requirements, including proper service on the appropriate parties involved. The taxpayer's personal length preference, the specific paper weight or color, and including a personal photograph are all irrelevant to this genuine substantive jurisdictional review needed.

77. A — A—An effective approach leads with the genuinely strongest issues while still adequately addressing the weaker ones, rather than omitting them or presenting with no strategic ordering. Omitting weaker issues entirely, leading with the weakest issues first, and treating every issue with identical emphasis regardless of strength are all less effective approaches.

78. D — D—Proper settlement documentation for a payment-plan resolution should always clearly specify the actual payment amounts, due dates, and genuine consequences of default under the reached settlement. The Officer's contact information, the conference's building floor, and the taxpayer's general satisfaction are not themselves the substantive content this specific documentation should capture.

79. C — C—This election should be reconsidered where subsequent developments reveal the matter's actual stakes or legal complexity are substantially greater than originally anticipated at the outset. A simple change of mind about proceeding speed, remaining comfortably under the threshold, and the representative gaining general experience are not themselves reasons to reconsider this election.

80. B — B—A proper protest should clearly identify and address each affected tax year individually, while also noting how the various years are genuinely related to one another. Addressing only the personally most significant year, requiring entirely separate protests per year, and combining years without breakdown are all inappropriate or unnecessary approaches.

81. A — A—Proper documentation for a multi-year settlement should always specify the specific resolution actually reached for each affected tax year individually within the overall settlement reached.

The Officer's general philosophy regarding multi-year matters, merely the earliest year's original filing date, and the taxpayer's general satisfaction are not themselves this required documentation content.

82. B — B—This decision should weigh whether mediation could genuinely and efficiently address multiple remaining issues together, rather than requiring separate, more burdensome proceedings for each. 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. C — C—Different treatment across years generally reflects independent hazards-of-litigation assessments genuinely applied separately to each affected year's own specific issues and facts. 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—This approach should reflect the understanding that each affected year's resolution may genuinely depend on that year's own distinct facts, even within an overall related matter. Every year does not automatically receive an identical resolution regardless of distinct facts, and neither the earliest nor the most recent year alone is the only one that genuinely matters.

85. C — C—Manual cross-checking is particularly valuable for unusually large or complex figures where a data-entry error would carry genuinely significant consequences for the taxpayer. Checking literally every figure regardless of complexity is impractical, treating manual checking as entirely obsolete is inappropriate, and this practice should not depend solely on a specific client request.

86. B — A—This illustrates the genuine value of layered review, combining both automated software checks and independent human review to catch different types of errors. It does not mean human review becomes entirely unnecessary given one successful software catch, does not mean the software is fundamentally unreliable, and duplicate entries can still occur despite functioning software.

87. D — A—This list should generally be updated contemporaneously as each return is actually prepared, rather than reconstructed later from memory with the accuracy risks that entails. Updating only once at season's end, only upon a specific IRS request, and only upon a specific client request all risk inaccuracy from delayed, memory-based reconstruction.

88. A — A—A sound policy should address the specific risk of unauthorized access to client data through a compromised employee password or other credential, a genuinely common attack vector. It should not address only risks unrelated to technology, only natural disaster risk, and certainly not risks related to furniture vendor selection, which are irrelevant here.

89. C — C—The approval process always includes careful, thorough verification of the applicant's identity and relevant background, consistent with the e-file program's overall established suitability standards. It does not verify computer hardware or software brand preference, business card or letterhead design choices, or general office decorating taste, all irrelevant to genuine suitability.

90. B — B—Provider status information should be updated promptly upon a material change in the firm's ownership structure or the personnel responsible for e-file compliance matters. Minor marketing material changes unrelated to the application, routine insurance policy renewal, and interior paint or decor changes do not themselves constitute material changes requiring an update.

91. A — A—This determination is based on a reasonable expectation formed at the relevant point during the specific calendar year the determination actually covers, a prospective annual standard. It is not based on the preparer's entire career volume, is not based on a single isolated past season, and is not an IRS-assigned individual number.

92. D — A—This Form 8948 should generally be retained consistent with the preparer's broader general Section 6107(b) recordkeeping retention obligations applicable to all returns. Retention is not purely discretionary with no defined period, does not end merely when the originating tax season concludes, and does not depend on a specific separate client retention request.

93. B — B—A new request is generally required where the preparer wishes to continue paper filing beyond the specific period the original approval actually and specifically covers. It is not required merely for administrative convenience with no underlying need, is not automatically required after a single season regardless of the approval's actual terms, and is not triggered by decreased volume.

94. D — D—An acceptable remote authorization process must reliably confirm the taxpayer's identity and genuinely capture the taxpayer's actual intent to authorize the specific filing involved. Mere verbal agreement with no further identity confirmation, requiring no documentation at all, and entirely unsupervised junior staff handling do not themselves satisfy these genuine requirements.

95. C — C—This retention obligation should always generally be reflected clearly in the firm's own overall document retention schedule alongside other client records genuinely subject to the applicable Section 6107(b) retention requirements. It is not properly grouped with unrelated internal marketing materials, unrelated employee personnel files, or unrelated general facility maintenance records.

96. A — A—This confirmation process should be built into the firm's standard return preparation workflow, applied consistently across all preparers rather than left to individual discretion. An informal ad hoc process left to individual discretion, a process triggered only after rejection, and a process reviewed only once at initial application all fail to ensure consistent handling.

97. A — A—This correction should be verified against the client's actual bank account documentation genuinely confirming the correct routing and account numbers for the deposit. The preparer's own memory from a prior year, the client's unconfirmed verbal restatement, and using any other client's most recent routing number are all inappropriate, unreliable verification approaches.

98. C — A—A sound protocol should include investigating whether a common source, such as a shared data breach, might genuinely explain the observed pattern across multiple clients. Assuming pure coincidence with no common cause, addressing each situation in complete isolation with no pattern consideration, and waiting for more rejections before investigating all reflect an inadequate response.

99. B — A—This documentation should be organized to allow efficient demonstration of the firm's genuine compliance efforts if the firm is ever questioned by the IRS or a client. It should not aim to maximize storage space consumption without benefit, should not prioritize convenient premature discarding, and should not involve freely sharing documentation with unrelated third parties.

100. D — A—This overall commitment ultimately serves maintaining public and institutional trust in the electronic filing system that both taxpayers and preparers genuinely rely upon daily. 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 satisfying minimum technical requirements.