PRACTICE EXAM 15: 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 application generally must be submitted within a specific window after passing all three parts of the SEE, and failure to do so generally results in:

A. No consequence whatsoever, since the examination results are treated as permanently valid
B. Automatic enrollment without any further application process being required
C. A permanent bar against ever seeking enrollment through the examination path again
D. The need to retake one or more parts of the examination before the application can be properly submitted

2. A practitioner's continuing education provider is generally required to:

A. Be a state government agency rather than any private organization
B. Charge a specific minimum fee for each course offered to practitioners
C. Hold IRS approval to offer qualifying continuing education programs to practitioners
D. Employ only licensed attorneys as the course instructors delivering the material

3. A practitioner's inactive enrollment status differs from disbarment in that inactive status generally:

A. Is imposed exclusively as a formal disciplinary sanction following an OPR proceeding
B. Results from a lapsed renewal rather than a disciplinary finding of misconduct
C. Permanently and irrevocably bars the practitioner from ever practicing before the IRS again

D. Requires the exact same formal reinstatement petition process disbarment reinstatement requires

4. OPR's authority to accept a practitioner's voluntary resignation from enrollment in lieu of a disciplinary proceeding generally:

A. May include conditions the practitioner agrees to as part of the resignation itself
B. Is entirely prohibited, since practitioners can never voluntarily resign facing potential discipline
C. Automatically results in a finding that no misconduct actually occurred
D. Requires the practitioner to first admit to every specific allegation made in the matter

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

A. A reasonable inquiry into whether the contribution amount and timing genuinely satisfy applicable limits
B. Independent verification directly with the specific retirement plan administrator named
C. Automatic disallowance of any contribution claim exceeding a specific fixed dollar amount
D. No inquiry whatsoever, since retirement contribution claims are presumed accurate automatically

6. A practitioner's advice regarding a position with a reasonable basis but no substantial authority, if properly disclosed, generally means the practitioner's Section 10.34 signing obligation is:

A. Not satisfied, since disclosure never cures a position lacking substantial authority
B. Satisfied, since proper disclosure cures the position's comparatively weaker underlying authority level
C. Irrelevant, since Section 10.34 applies only to positions supported by substantial authority
D. Contingent on the client separately obtaining a formal Private Letter Ruling in advance

7. A contingent fee arrangement connected to a claim under a state whistleblower program, as opposed to the federal program, is generally:

A. Governed entirely and exclusively by Circular 230's federal contingent fee provisions
B. Prohibited entirely regardless of what applicable state law actually provides
C. Permitted only if the claim also separately involves an actual federal tax matter
D. Governed by the applicable state's own rules rather than Circular 230's federal provisions

8. A practitioner's fee arrangement for a matter that concludes far sooner than originally anticipated should generally be:

A. Retained in full regardless of how much sooner the matter actually concluded than anticipated
B. Automatically doubled to compensate the practitioner for the unexpectedly efficient resolution
C. Evaluated for reasonableness based on the actual services rendered, potentially warranting a partial refund
D. Left entirely to the practitioner's own unilateral discretion with no client input considered

9. A practitioner's advertisement stating the firm "specializes" in a particular area of tax law is generally:

A. Permitted if the claim truthfully and accurately reflects the firm's actual practice focus and expertise
B. Prohibited entirely, since practitioners may never claim any subject-matter specialization whatsoever
C. Permitted only for attorneys who have completed a formal, board-certified specialty program
D. Permitted only if the phrase appears in bold, oversized print within the advertisement

10. A practitioner's conflict of interest analysis for representing a taxpayer in a matter adverse to a party the practitioner's spouse represents at a different firm generally should evaluate:

A. Only whether the two firms happen to be located in the same city or metropolitan area
B. Only whether the practitioner and the spouse discuss work matters at home in general terms
C. Only the specific total combined income the couple earns from their respective practices
D. Whether the spousal relationship creates a genuine risk of confidential information being improperly shared

11. A practitioner's written consent documentation for a conflict arising from a spousal relationship at different firms should generally address the specific:

A. Only the couple's own personal opinion of how successful their respective careers have been
B. Only the specific total dollar amount each spouse's firm charges for similar matters
C. Safeguards in place to prevent confidential information from being improperly shared between the spouses
D. Only whether the couple has been married for more than a specific number of years

12. A firm's Section 10.36 procedures should generally address how the firm handles a client's request to expedite a matter by:

A. Automatically declining every single expedite request regardless of the matter's actual circumstances
B. Evaluating whether expediting the matter can be accomplished without compromising the quality or accuracy of the work
C. Automatically granting every single expedite request regardless of any potential impact on work quality
D. Charging an automatic surcharge for every expedite request with no further substantive evaluation

13. A practitioner's Section 10.51(a)(4) violation for false statements is generally distinguishable from an ordinary drafting error in that the violation requires:

A. A showing of knowledge or reckless disregard, not merely an unintentional mistake in drafting
B. No showing of knowledge or fault of any kind whatsoever regarding the false statement
C. Proof the client also independently knew the specific statement was actually false
D. A separate, prior criminal conviction obtained specifically for the false statement itself

14. A practitioner's obligation regarding accuracy of representations to the IRS generally requires updating a prior accurate representation where subsequent events render it:

A. Merely outdated in a purely stylistic sense with no genuine substantive significance
B. Technically accurate but phrased in a way the practitioner would now word differently
C. Materially misleading if left uncorrected, given the change in circumstances that has occurred
D. Accurate at the time made, requiring no further action regardless of subsequent developments

15. A practitioner's written tax opinion should generally identify the specific transaction or matter addressed with sufficient:

A. Vagueness to preserve maximum flexibility in how the opinion might later be applied or interpreted
B. Specificity to allow the client to understand precisely what the opinion does and does not cover
C. Brevity that omits any meaningful description of the actual underlying transaction addressed
D. Complexity that intentionally obscures the practical scope of what the opinion actually covers

16. A practitioner's competence obligation regarding a matter involving a recently enacted but not yet finalized Treasury Regulation generally requires:

A. Treating the proposed regulation as though it were already fully final and binding law
B. Ignoring the proposed regulation entirely until it is eventually finalized
C. Guaranteeing the client the proposed regulation will definitely be finalized exactly as initially proposed
D. Monitoring the regulation's development and advising the client of the genuine uncertainty involved

17. A practitioner's advertising claim regarding the firm's specific number of successfully resolved matters should generally be:

A. Rounded up substantially to present a more impressive-sounding figure to prospective clients
B. Omitted entirely from all advertising, since specific numerical claims are categorically prohibited
C. Based on a single, particularly favorable period rather than the firm's overall genuine track record
D. Accurate and based on genuine, verifiable data reflecting the firm's actual track record

18. A practitioner's Section 10.20 obligation regarding record submission generally applies regardless of whether the practitioner personally believes:

A. The IRS employee making the request holds a specific supervisory job title
B. The requested records are actually relevant to the specific matter the IRS is investigating

C. The request was submitted through the proper official channel and process

D. The requesting IRS employee is actually authorized to make the specific request

19. A practitioner's failure to identify a client's eligibility for the Saver's 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. A potential shortfall in the competence and diligence Circular 230 expects of practitioners

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 repeated when an existing client's business undergoes a change in ownership structure because:

A. The new ownership arrangement may introduce parties whose interests genuinely diverge from the client's own

B. IRS regulations specifically mandate an entirely new engagement letter for every ownership change

C. Ownership changes automatically and categorically terminate any pre-existing engagement entirely

D. Clients specifically expect and demand a fresh conflict evaluation memo for every business change

21. A practitioner's disreputable conduct violation involving giving false or misleading information in connection with the practitioner's own Circular 230 enrollment application generally is evaluated under:

A. An entirely separate, unrelated body of consumer protection law having no connection to Circular 230

B. The same false statement standards applicable to representations made in connection with client matters

C. No applicable standard at all, since the enrollment application itself is treated as exempt from scrutiny

D. A standard requiring proof of actual, quantifiable financial harm to a specific identified party

22. A practitioner's obligation to maintain confidentiality of client information generally does NOT extend to information that:

A. Is already legitimately part of the public record independent of the practitioner's own disclosure
B. The client shared verbally rather than in a formal written document
C. Relates to a matter the client has since fully and finally resolved with the IRS
D. The client shared during an initial consultation before any formal engagement began

23. A practitioner's decision to withdraw from representation upon discovering the client has been providing materially false information despite prior warnings should generally be:

A. Made silently with no documentation at all, since the reason for withdrawal is treated as self-evident
B. Reported directly and immediately to the IRS before any documentation of the situation is created
C. Documented with the specific warnings given and the client's continued refusal to correct the information
D. Reconsidered indefinitely, continuing the representation despite the ongoing false information provided

24. A practitioner's obligation regarding accuracy of representations extends to a formal written response to an IRS Information Document Request to the extent the response concerns:

A. Only the factual information actually provided, never any characterization offered
B. Only any characterization offered, never the factual information actually provided
C. Neither category, since accuracy obligations apply only to numerical calculations specifically
D. Both the factual information actually provided and any characterization of that information offered

25. A practitioner's suspension sanction generally must be served:

A. For the full specified period, without the ability to unilaterally shorten it absent OPR approval
B. Only during hours the practitioner would otherwise have been actively working on client matters
C. Concurrently with any period the practitioner spends on an unrelated personal vacation
D. Only on business days, excluding weekends and any recognized federal holidays from the count

26. A practitioner's monetary penalty under Section 10.50 is generally distinguishable from restitution to a harmed client in that the penalty:

A. Is always calculated using the exact same formula applicable to calculating client restitution
B. Automatically satisfies any separate restitution obligation the practitioner might also owe the client
C. Is payable to the government as a regulatory sanction, not compensation flowing to the harmed client
D. Can never be imposed in any matter where the client has already received some restitution

27. A practitioner's reinstatement following disbarment generally requires OPR to be satisfied the practitioner will:

A. Simply promise verbally, with no further evidence, to comply with Circular 230 going forward
B. Comply with Circular 230's standards going forward, based on the practitioner's demonstrated conduct
C. Pay a specific reinstatement fee with no further substantive showing of changed conduct required
D. Obtain a formal endorsement from every single client the practitioner represented before disbarment

28. A practitioner's obligation to disclose a conflict extends to a conflict arising from the practitioner's ownership interest in a business that provides services to the practitioner's tax clients, requiring the practitioner to generally:

A. Simply divest the ownership interest entirely with no disclosure or evaluation ever required
B. Ignore the ownership interest entirely, since it is treated as unrelated to the tax representation itself
C. Disclose only to clients who specifically and independently ask about the practitioner's other business interests
D. Disclose the ownership interest and evaluate whether it could improperly influence the practitioner's advice

29. A practitioner's overall approach to identifying potential conflicts for a matter involving a referral from another professional, such as an attorney or financial advisor, should generally include:

A. An assumption that a professionally referred client automatically presents no possible conflict of any kind
B. Skipping the conflict check entirely, since the referring professional has presumably already vetted the referral
C. The same systematic conflict check applied to any other prospective client, regardless of the referral source
D. Relying exclusively on the referring professional's own personal assurance that no conflict exists

30. A practitioner's overall professional obligations under Circular 230 exist alongside, rather than in place of, the practitioner's obligations under:

A. No other body of law whatsoever, since Circular 230 is treated as the exclusive governing authority
B. Applicable state licensing rules and other bodies of professional responsibility law
C. Only federal criminal law, with no relevance to any other body of professional regulation
D. Only the specific client's own personal preferences, which override Circular 230 entirely

31. A practitioner's overall professional judgment in applying Circular 230's standards to genuinely ambiguous situations should generally be guided by:

A. The underlying purposes the relevant standard serves, informed by applicable guidance and precedent
B. Only the most literal, narrowest possible reading of the specific rule's isolated text
C. Only the practitioner's own personal preference regarding the desired practical outcome
D. Only precedent drawn from an entirely unrelated area of law with no genuine connection

32. A taxpayer's power of attorney should generally list the specific representative in order of priority where multiple representatives are named because:

A. Only the first-listed representative is legally permitted to actually appear on the taxpayer's behalf
B. Later-listed representatives automatically lose all authority once a first representative is named
C. IRS regulations specifically prohibit listing more than one representative on a single form
D. The IRS will generally direct correspondence to the representative listed with priority absent other instruction

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

A. Discuss the specifically covered matters with the assigned IRS employee
B. Execute a closing agreement on the taxpayer's behalf absent specific separate authorization for that activity
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 survives:

A. The taxpayer's own death, absent a specific durable provision extending it
B. The specific matters and periods covered by the authorization concluding entirely
C. A change in the practitioner's own firm name, provided the same individual practitioner remains the representative
D. The representative's own voluntary withdrawal from the representation

35. A taxpayer's assessment statute of limitations tolling due to a Taxpayer Assistance Order request generally does NOT apply because:

A. A TAO request itself is not among the statutorily recognized tolling events affecting the assessment statute
B. TAO requests are always automatically granted, eliminating any need for tolling consideration
C. The assessment statute never applies to any matter TAS has ever become involved in
D. TAS lacks any authority whatsoever to address matters involving the assessment statute

36. A taxpayer's Form 872 extension negotiated to a specific future date generally requires the IRS to complete its examination:

A. Within exactly thirty days of the extension being originally signed, regardless of the agreed date
B. Immediately upon the extension being signed, with no further time actually granted
C. At any point the IRS chooses, since the agreed date is treated as merely advisory
D. By the agreed date, or seek a further extension before that date if additional time is genuinely needed

37. A taxpayer's position supported by a formal, favorable determination letter issued to that specific taxpayer regarding a related matter generally carries:

A. No authoritative weight whatsoever, since determination letters are treated as purely advisory
B. Binding weight applicable to every other similarly situated taxpayer nationwide
C. Genuine authoritative weight for that specific taxpayer, though limited to the matter it actually addresses
D. Weight inferior to an informal, non-precedential IRS website FAQ on the same topic

38. A taxpayer's reliance on informal advice obtained through the IRS's own published FAQ, later found to be inaccurate, generally provides:

A. Some support for reasonable cause, though the IRS has noted such reliance may carry limited protection
B. Absolute, unconditional protection from any resulting penalty regardless of any other circumstances
C. No support whatsoever for reasonable cause under any circumstances at all
D. Support identical in strength to reliance on a formal, published Revenue Ruling

39. A taxpayer's transparent disclosure of a position the taxpayer genuinely believes, in good faith, is correct but ultimately incorrect generally distinguishes the taxpayer from evasion because:

A. The taxpayer's ultimate incorrectness on the legal merits is itself irrelevant to any tax consequence
B. Good faith belief alone, without any actual disclosure, is always sufficient to avoid any tax liability
C. Courts are legally required to rule in favor of any taxpayer who genuinely disclosed a position
D. The disclosure itself demonstrates the absence of any intent to conceal facts from the government

40. The Taxpayer Advocate Service's role in identifying systemic problems generally includes reporting such problems to:

A. Only the specific individual taxpayer whose case initially revealed the systemic problem

B. Congress and appropriate IRS officials through the National Taxpayer Advocate's required reports
C. Only a private, non-governmental watchdog organization with no governmental reporting obligation
D. No party whatsoever, since systemic issues are treated as entirely outside TAS's authority

41. A Taxpayer Assistance Order's directive to release a levy generally becomes effective:

A. Only after a separate federal court has independently reviewed and approved the specific directive
B. Only after a full ninety-day waiting period following the TAO's original issuance
C. Upon proper issuance and receipt by the relevant IRS function, subject to any recognized exception
D. Only if the taxpayer separately pays a specific processing fee for the TAO's issuance

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

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

43. A practitioner's preliminary assessment of a new matter involving a taxpayer's ongoing bankruptcy proceeding should generally include confirming:

A. Only the specific bankruptcy court's physical building location and address
B. The specific bankruptcy chapter filed and its implications for the applicable tax matter and timing
C. Only the taxpayer's personal opinion regarding the fairness of the overall bankruptcy process
D. Only the specific attorney the taxpayer retained for the separate bankruptcy proceeding

44. A conflict check's scope for a matter involving a bankruptcy trustee should generally extend to:

A. Only the trustee's own formal legal name, with no inquiry into any other involved parties
B. Only the specific bankruptcy court's docket number assigned to the case

C. Only the total number of creditors listed in the bankruptcy filing
D. Whether the practitioner has any prior or current relationship with the trustee or other creditors involved

45. A taxpayer's account transcript generally reflects a bankruptcy-related entry indicating:

A. An automatic, complete discharge of the underlying tax liability regardless of the bankruptcy's actual outcome
B. An entry unrelated to any actual bankruptcy proceeding, requiring no further explanation at all
C. A penalty specifically assessed against the taxpayer for having filed for bankruptcy protection
D. The assessment statute's tolling during the bankruptcy's automatic stay period

46. A practitioner's analysis of a taxpayer's ability to pay in a bankruptcy-adjacent collection matter should generally account for:

A. How the bankruptcy proceeding's own terms and timeline interact with the taxpayer's actual tax obligations
B. Only the taxpayer's personal preference for whether bankruptcy or a collection alternative should be pursued
C. Only the specific bankruptcy court's overall general reputation among practitioners generally
D. Only the specific attorney the taxpayer retained for the separate bankruptcy proceeding

47. A requesting spouse's Innocent Spouse Relief claim filed during the other spouse's bankruptcy proceeding generally requires the practitioner to consider:

A. Only the requesting spouse's personal opinion regarding the other spouse's overall financial decisions
B. How the bankruptcy's automatic stay might affect the timing or processing of the relief request
C. Only the couple's total combined years of marriage before the bankruptcy filing occurred
D. Only the requesting spouse's current occupation and specific employer

48. A practitioner's documentation for an Equitable Relief claim involving domestic difficulties affecting the marriage should generally address the multi-factor test's consideration of:

A. Only the couple's original choice of wedding venue and related details

B. Only the couple's shared taste in home decor and furnishings

C. Whether the requesting spouse's participation in the return preparation was genuinely limited by the circumstances

D. Only the couple's preferred vacation destinations over the years

49. A practitioner's early assessment of potential criminal exposure in a matter involving a taxpayer's use of cryptocurrency should generally weigh:

A. Only the specific cryptocurrency exchange the taxpayer used for the transactions

B. Only the client's overall general demeanor during a single initial consultation meeting

C. Only the specific total dollar value of cryptocurrency the taxpayer currently holds

D. Whether the taxpayer's reporting of cryptocurrency transactions reflects genuine good-faith compliance or deliberate concealment

50. A practitioner who identifies potential criminal exposure in a cryptocurrency matter should generally avoid:

A. Advising the client to consult with counsel experienced in cryptocurrency tax matters

B. Documenting the specific reasoning behind any referral made to specialized counsel

C. Advising the client to simply amend returns without first considering a voluntary disclosure option

D. Continuing to handle unrelated civil matters for the client within the practitioner's actual competence

51. A Kovel arrangement's application to a cryptocurrency-related matter generally requires the accountant's forensic analysis to be:

A. Conducted entirely independently of any attorney direction or involvement whatsoever

B. Directed by the attorney and genuinely connected to assisting the attorney's legal advice on the matter

C. Shared freely and openly with the IRS as the analysis progresses

D. Focused exclusively on matters having no connection whatsoever to any legal advice

52. A practitioner's case-building documentation for a matter involving cryptocurrency transactions should generally include:

A. A reconciliation of the taxpayer's transaction history against the amounts actually reported on the return

B. Only the taxpayer's own general assertion that all transactions were properly reported with no reconciliation

C. Only the specific cryptocurrency exchange's general marketing materials

D. Only the taxpayer's personal opinion regarding cryptocurrency's overall long-term value

53. A practitioner's overall case assessment for a matter involving complex cryptocurrency cost-basis calculations should generally distinguish between:

A. Only transactions occurring on weekdays versus transactions occurring on weekends

B. Only transactions involving round dollar amounts versus transactions involving specific odd amounts

C. Transactions with reliable, verifiable cost-basis documentation and transactions lacking such documentation

D. Only transactions the practitioner personally finds interesting versus transactions the practitioner finds mundane

54. A practitioner's overall case-building strategy for a matter involving a taxpayer's claimed reasonable cause for cryptocurrency reporting errors should generally include:

A. Only the taxpayer's own general assertion that cryptocurrency taxation is confusing with no further detail

B. Evidence regarding the genuine complexity and evolving nature of cryptocurrency tax guidance at the relevant time

C. Only the specific total dollar amount of the taxpayer's cryptocurrency holdings

D. Only the specific cryptocurrency exchange's own customer service response times

55. A practitioner's overall preliminary case assessment process for a cryptocurrency matter should generally include documenting the specific:

A. Only the practitioner's own personal fee arrangement for handling the specific matter
B. Only the specific software the practitioner intends to use going forward in the matter
C. Only the client's general overall satisfaction with the practitioner's services to date
D. Cryptocurrency platforms and wallets involved, along with the applicable transaction history available

56. A practitioner's case-building work for a matter involving a taxpayer's claimed lack of understanding of cryptocurrency tax obligations should generally document:

A. The specific evidence regarding the taxpayer's actual sophistication level and the guidance available at the time
B. Only the taxpayer's own personal, subjective belief that a genuine lack of understanding existed
C. Only the specific total dollar amount of tax ultimately at issue in the matter
D. Only the specific date the taxpayer first began trading cryptocurrency

57. A practitioner's overall approach to preliminary case assessment for a genuinely novel area like cryptocurrency taxation should generally reflect:

A. Immediate commitment to the most aggressive available position without any supporting research conducted
B. Complete avoidance of the novel area in favor of addressing only more familiar, comfortable issues
C. Deference entirely to the client's own proposed approach with no independent practitioner analysis
D. Careful research into evolving IRS guidance combined with conservative, well-documented positions

58. A practitioner's case-building process for a cryptocurrency matter ultimately aims to ensure the taxpayer's reported positions are:

A. Maximally aggressive regardless of whether the underlying documentation actually supports the position taken
B. Both accurately calculated and adequately documented given the genuinely evolving guidance in this area
C. Entirely consistent with whatever outcome the taxpayer personally hopes to ultimately achieve

D. Presented without regard to whether the underlying transaction data actually supports the position taken

59. A practitioner's overall case-building philosophy for a cryptocurrency matter should generally reflect an understanding that thorough transaction documentation:

A. Better positions the taxpayer to respond credibly if the IRS later questions the reported figures
B. Guarantees the taxpayer will ultimately avoid any IRS scrutiny regardless of the underlying transaction volume
C. Is relevant only if the matter ultimately proceeds all the way to formal litigation
D. Matters only during the initial return preparation stage, with no continued relevance thereafter

60. A practitioner's overall case-building approach for an evolving area of tax law should generally include periodically:

A. Assuming positions taken remain permanently valid regardless of any subsequently issued guidance
B. Declining to revisit any previously taken position under any circumstances whatsoever
C. Revisiting positions taken in light of subsequently issued guidance that may affect their continued validity
D. Relying exclusively on the client's own monitoring of subsequently issued relevant guidance

61. A taxpayer's short-term payment plan proposal should generally account for whether the taxpayer:

A. Has sufficient anticipated income or liquid assets to actually complete payment within the short-term period
B. Simply prefers the term "short-term" over the term "installment agreement" for personal reasons
C. Has previously used a short-term payment plan for an entirely unrelated prior tax year
D. Owns any real property at all, regardless of that property's actual current liquidity

62. A taxpayer's guaranteed installment agreement is generally unavailable where the taxpayer's outstanding liability includes:

A. Any amount whatsoever attributable to a penalty, regardless of the overall total balance
B. Any amount whatsoever attributable to interest, regardless of the overall total balance
C. An amount that, combined with tax, penalties, and interest, exceeds the applicable $10,000 threshold
D. A balance from more than one single prior tax year combined together

63. A taxpayer's offer in compromise based on Doubt as to Collectibility with Special Circumstances allows the IRS to accept an offer:

A. Only where the taxpayer disputes the underlying legal correctness of the assessed liability itself
B. Only where the taxpayer has never previously submitted any offer in compromise of any kind
C. Only where the offer amount exceeds the taxpayer's calculated RCP by a specific margin
D. Below the calculated RCP where collection of the full RCP would create genuine economic hardship or be inequitable

64. A taxpayer's offer in compromise's designated payment application should generally be specified where the taxpayer wishes to:

A. Simply avoid submitting any initial payment whatsoever with the offer application
B. Direct how the initial payment is applied among multiple tax years or types of liability owed
C. Guarantee the offer will be automatically and immediately accepted upon submission
D. Waive the applicable offer application fee entirely regardless of income eligibility

65. A lien discharge under Section 6325(b)(3), the proceeds of sale category, generally requires:

A. No payment or escrow arrangement whatsoever, since this category requires nothing further
B. The sale proceeds to be held in escrow pending a determination of the government's actual interest
C. Payment made directly and immediately to the taxpayer rather than held in any escrow arrangement
D. A completely separate new lien filing to be made simultaneously with the discharge request

66. A levy's effect on a taxpayer's retirement account generally is subject to specific procedural requirements including:

A. No procedural requirements whatsoever, since retirement accounts are treated identically to any other asset
B. Automatic approval from the retirement plan's administrator before the levy may actually proceed
C. A mandatory waiting period of exactly one full year before any retirement account levy may occur
D. Consideration of whether the levy would create a genuine, undue economic hardship for the taxpayer

67. A Currently Not Collectible taxpayer's status may generally be terminated by the IRS where the taxpayer:

A. Fails to file a subsequently required return while the CNC status remains in effect
B. Simply moves to a different residential address within the same general geographic region
C. Changes employers while remaining within the same overall general industry
D. Updates the mailing address on file with the IRS following a routine relocation

68. A taxpayer's CDP hearing request raising a collection alternative should generally include supporting documentation such as:

A. Only the taxpayer's own general, unsupported opinion about what resolution seems fair
B. Only a copy of the original notice of federal tax lien or levy that triggered the hearing
C. A completed Collection Information Statement reflecting the taxpayer's current financial situation
D. Only a general statement that the taxpayer disagrees with the underlying collection action

69. A TFRP assessment's calculation generally is limited to:

A. The entire employment tax liability owed by the business, including both trust fund and non-trust fund portions
B. The specific trust fund portion of the unpaid employment taxes, not the entire tax liability owed
C. A fixed percentage applied uniformly to the business's total gross annual revenue
D. An amount determined entirely by the individual revenue officer's own personal discretion

70. A responsible person's TFRP defense based on the business's genuine insolvency at the relevant time generally requires demonstrating:

A. The individual genuinely lacked sufficient funds to pay any creditors, not merely a preference for other creditors

B. Only that the business ultimately filed for bankruptcy protection at some later point in time

C. Only that the individual personally disliked having to make difficult payment decisions

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

71. A practitioner's Section 7525 privilege claim generally may be waived inadvertently through:

A. Simply asserting the privilege formally in a written filing with the IRS

B. Discussing the general nature of the engagement without revealing specific advice given

C. Disclosing the substance of an otherwise privileged communication in an unrelated public filing

D. Retaining the communication securely within the practitioner's own case file

72. A taxpayer's Cohan estimate for a category of expense not subject to Section 274(d)'s strict substantiation requirement generally may be sustained where the taxpayer shows:

A. Only that the taxpayer generally believes such expenses are commonly incurred by others in the industry

B. Only that the expense category is generally recognized as deductible in principle under the Code

C. Only that the taxpayer would prefer a higher deduction amount if the estimate were permitted

D. Credible evidence the expense was genuinely incurred, even absent an exact contemporaneous receipt

73. A practitioner's review of an RAR's proposed adjustment for a partnership should generally verify the adjustment's:

A. Presentation using a specific font size within the printed report document

B. Position within the overall report, whether appearing early or later in the document

C. Consistency with the applicable partnership audit regime governing how adjustments flow to partners

D. Total physical page length compared to adjustments proposed for other types of entities

74. A taxpayer's response to a 30-day letter for a partnership-level examination should generally address whether the taxpayer intends to:

A. Simply ignore the entire 30-day letter, since partnership matters carry no response deadline
B. Request that the examination be transferred to an entirely different, unrelated IRS office
C. Demand the examiner personally explain the underlying reasons for choosing to examine the partnership
D. Elect out of the centralized partnership audit regime, where eligible, or proceed under its applicable rules

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

A. Only the partnership's overall general reputation within the relevant business community
B. The taxpayer's actual Schedule K-1 documentation received from the partnership
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 contesting a partnership-level adjustment generally must be filed by:

A. The partnership representative designated under the applicable centralized partnership audit regime
B. Any individual partner acting entirely independently, regardless of the designated partnership representative
C. Only the partnership's original founding partner, regardless of who is the currently designated representative
D. A vote of a simple majority of all partners, with no designated representative role recognized

77. A taxpayer's Appeals conference preparation for a partnership-level matter should generally include coordination with:

A. Only the single partner the practitioner personally finds most cooperative to work with
B. The designated partnership representative and, where relevant, individual partners potentially affected

C. Only partners who happen to reside within the practitioner's own specific home state

D. Only partners whose individual ownership interest happens to exceed a specific percentage threshold

78. A taxpayer's decision to accept an Appeals settlement at the partnership level should generally be documented to reflect:

A. Only the Appeals Officer's own general policy views regarding partnerships generally as a business form

B. Only the specific conference room where the partnership-level settlement was actually reached

C. How the settlement's terms will flow through to and affect the individual partners under the applicable regime

D. Only the designated partnership representative's general overall satisfaction with the settlement reached

79. A taxpayer's small tax case election is generally unavailable for a partnership-level matter proceeding under the centralized partnership audit regime because:

A. Partnerships are categorically excluded from this simplified procedure regardless of the disputed dollar amount

B. The disputed dollar amount in a partnership matter is always automatically below the applicable threshold

C. Individual partners are always required to separately file their own individual small tax case elections

D. The small tax case procedure is specifically reserved exclusively for partnership-level matters only

80. A taxpayer's formal written protest for a partnership-level matter should generally identify:

A. Only the individual partners' personal opinions regarding the overall fairness of partnership taxation generally

B. Only the total number of partners currently in the partnership at the time of filing

C. Only the specific state in which the partnership was originally formed

D. The specific partnership items being contested and the designated partnership representative's position

81. A taxpayer's Appeals settlement at the partnership level involving an imputed underpayment generally should be documented to specify:

A. Only the Appeals Officer's own personal preference regarding the centralized audit regime generally
B. Only the specific date the partnership was originally formed
C. How the imputed underpayment was calculated and any elections made regarding its allocation
D. Only the designated partnership representative's general overall satisfaction with the settlement reached

82. A taxpayer's decision to pursue Post-Appeals Mediation for a partnership-level matter should generally weigh whether:

A. A neutral mediator could genuinely help resolve the specific remaining issue given the regime's particular rules
B. The specific mediator happens to share the designated partnership representative's own general political views
C. Mediation sessions are scheduled on a specific day of the week the representative personally prefers
D. The practitioner has previously used mediation in an entirely unrelated prior individual taxpayer matter

83. A taxpayer's Appeals conference outcome for a partnership-level matter resulting in a settlement generally binds:

A. Only the designated partnership representative personally, with no effect on the partnership or partners
B. The partnership and, through the applicable regime, the individual partners affected by the adjustment
C. Only the individual partners personally, with no effect on the partnership entity itself
D. No party whatsoever, since partnership-level settlements are treated as entirely non-binding

84. A practitioner's overall approach to representing a partnership in a centralized audit regime matter should generally reflect an understanding that the designated partnership representative:

A. Must obtain unanimous consent from every single partner before taking any action whatsoever in the proceeding

B. Has no meaningful authority beyond what an ordinary, non-designated partner would otherwise hold

C. Is automatically and permanently disqualified from serving in that role after any partner disagreement

D. Holds sole authority to bind the partnership in the proceeding, distinct from any individual partner's own authority

85. A preparer's software-assisted calculation for a complex multi-state return should generally still involve manual review of:

A. Only the federal portion of the return, since state calculations are treated as automatically reliable

B. No portion of the return at all, since multi-state software is treated as inherently more accurate

C. Only the client's name and address fields, with no substantive calculation review needed

D. State-specific adjustments and credits the software may not have fully captured given each state's unique rules

86. A preparer's discovery of a duplicate entry affecting a multi-state allocation calculation illustrates the importance of reviewing:

A. How income is allocated among states, not merely the federal total, for consistency

B. Only the specific software version number used to prepare the particular multi-state return

C. Only the client's stated preference for which state to prioritize during any dispute

D. Only the total number of states included in the completed multi-state return

87. A preparer's Section 6107(b) obligation for a multi-state return generally applies to:

A. Each individual state's portion separately, requiring entirely separate recordkeeping for each state

B. The return as a whole, not separately to each individual state's portion of the filing

C. Only the federal portion, with no obligation extending to any state-level portion whatsoever

D. Only states where the preparer happens to be separately licensed to practice

88. A preparer's data security obligations for client records spanning multiple states should generally be evaluated against:

A. Only the standard applicable in the preparer's own home state, regardless of the client's other state connections

B. No specific standard at all, since multi-state data is treated as exempt from any security obligation

C. The most protective applicable standard among the relevant jurisdictions, absent specific conflicting guidance

D. Only the least protective applicable standard, since minimum compliance is treated as generally sufficient

89. An IRS e-file Application's coverage generally extends to a preparer's returns regardless of:

A. Whether the preparer has actually completed the applicable suitability check for the program

B. Whether the preparer holds a currently active PTIN required for compensated preparation

C. Whether the preparer has actually submitted the application through the proper official channel

D. Which specific state or states the underlying taxpayers reside in or file returns for

90. A firm's e-file Provider status for offices in multiple states should generally be managed through:

A. Entirely separate, independently managed compliance approaches for each individual state office

B. No coordinated management at all, since e-file compliance is treated as a purely federal, state-irrelevant matter

C. A consistent firm-wide approach ensuring each office satisfies the applicable federal e-file requirements

D. Delegation entirely to each individual state office with no firm-wide oversight of any kind

91. A preparer's covered-return count for e-file mandate purposes generally aggregates returns:

A. Across all the states and jurisdictions in which the preparer prepares covered federal returns

B. Only within a single specific state the preparer designates as the primary jurisdiction

C. Only for clients residing within the preparer's own specific home state

D. Separately by state, with a completely independent threshold applying to each individual state

92. A preparer's Form 8948 for a multi-state client's federal return exception should generally reference:

A. Only the exception applicable under each individual state's own separate e-file mandate rules
B. The specific exception applicable to the federal return, since state e-file requirements are governed separately
C. Only the preparer's own general opinion regarding electronic filing across multiple states generally
D. Only the specific software the preparer would have otherwise used for the multi-state e-filing

93. A preparer's Form 8944 hardship waiver request generally addresses only:

A. Both the federal and every applicable state electronic filing requirement simultaneously in a single request
B. The federal electronic filing mandate, not any separate state-level electronic filing requirement
C. Only a specific state electronic filing requirement, with no application to the federal mandate at all
D. Neither the federal nor any state requirement, since Form 8944 addresses an entirely unrelated matter

94. A taxpayer's Form 8879 authorization for a multi-state return generally authorizes:

A. Only the federal return, with any state return requiring an entirely separate, additional authorization always
B. Only a state return, with the federal return requiring an entirely separate, additional authorization always
C. Neither the federal nor any state return, since Form 8879 addresses only paper filing authorization
D. Electronic filing of the specific returns the form actually identifies, whether federal, state, or both

95. An ERO's Form 8879 retention obligation for a multi-state return generally covers:

A. A separate retention period for each individual state return identified on the same form
B. No retention obligation at all for the portions relating specifically to state returns

C. The single authorization form covering whichever returns it actually identifies, consistent with federal retention rules
D. A retention period twice as long as the standard period, given the added multi-state complexity

96. A preparer's confirmation of Form 8453 requirements for a multi-state return should generally include checking:

A. Both the federal instructions and any applicable state-specific transmittal requirements separately
B. Only the federal instructions, since state returns are treated as never requiring any separate transmittal
C. Only state-specific instructions, since the federal instructions are treated as never applicable here
D. Neither the federal nor state instructions, since Form 8453 is treated as entirely obsolete

97. A rejected multi-state return's correction should generally address whether the rejection originated from:

A. The federal portion, a specific state's portion, or both, since each may reject independently
B. Only the federal portion, since state portions are treated as never capable of independent rejection
C. Only a state portion, since the federal portion is treated as never capable of independent rejection
D. Neither portion specifically, since multi-state rejections are treated as always affecting the entire filing uniformly

98. A preparer's overall response protocol for identity theft rejections in a multi-state practice should generally address:

A. Only the federal identity theft resolution process, since state processes are treated as identical to federal
B. Both federal and applicable state identity theft resolution processes, since each may differ
C. Only a specific state's identity theft resolution process, with no attention to the federal process
D. Neither the federal nor any state process, since identity theft is treated as entirely outside preparer concern

99. A preparer's overall e-file compliance program for a multi-state practice should generally include staff training on:

A. Only federal e-file requirements, since state-specific training is treated as unnecessary for compliance
B. Only state-specific e-file requirements, since federal training is treated as unnecessary in this context
C. Both federal e-file requirements and the specific state requirements relevant to the firm's actual client base
D. Neither federal nor state e-file requirements specifically, relying instead on generic software training alone

100. An e-file Provider's overall commitment to compliance in a multi-jurisdictional practice ultimately reflects a recognition that:

A. Multi-jurisdictional practice carries no additional compliance responsibility beyond what a single-state practice would carry
B. Compliance responsibility narrows, rather than broadens, as a practice expands across additional jurisdictions
C. Only the jurisdiction where the firm's main office is physically located actually carries any compliance relevance
D. Serving clients across multiple jurisdictions carries a correspondingly broader scope of compliance responsibility

Practice Exam 15: Answer Key and Explanations

1. D — D—Missing the applicable window generally results in needing to retake one or more parts of the SEE before a proper application may again be submitted. This is not consequence-free with permanently valid results, does not result in automatic enrollment without application, and does not permanently bar the applicant from ever seeking enrollment through this path again.

2. C — C—A continuing education provider must generally hold IRS approval to offer programs that genuinely qualify toward a practitioner's actual renewal requirement each cycle. The provider need not be a state government agency, need not charge any specific minimum fee, and need not employ only licensed attorneys as instructors delivering the material.

3. B — B—Inactive status generally results from a simple lapsed renewal rather than a disciplinary finding of misconduct, distinguishing it fundamentally from disbarment's genuinely punitive overall nature. It is not itself a formal disciplinary sanction, does not permanently bar future practice, and does not require the same extensive reinstatement process disbarment demands.

4. A — A—OPR's acceptance of a voluntary resignation may include specific conditions the practitioner genuinely agrees to as part of the negotiated resignation itself in the matter. Voluntary resignation facing potential discipline is not prohibited, does not automatically establish that no misconduct occurred, and does not require admitting to every specific allegation raised.

5. A — A—Due diligence requires a reasonable inquiry into whether the contribution amount and timing genuinely satisfy the applicable statutory limits for that specific type of plan. Direct plan administrator 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. B — B—Proper disclosure satisfies the Section 10.34 signing obligation despite the position's comparatively weaker reasonable-basis authority level, curing what substantial authority alone would otherwise provide instead here. Disclosure is not ineffective here, Section 10.34 is not limited only to substantial-authority positions, and no separate advance PLR is required for this satisfaction.

7. D — D—A state whistleblower program claim is governed by the applicable state's own rules, since Circular 230's federal contingent fee provisions apply specifically to matters before the IRS. It is not governed entirely by Circular 230, is not prohibited regardless of state law, and does not require an accompanying federal matter to be permitted.

8. C — C—Such a fee should be evaluated for reasonableness based on the actual services genuinely rendered, potentially warranting a partial refund if the original fee no longer reflects those services. Retaining the full amount regardless of the shorter matter, automatically doubling the fee, and leaving this entirely to unilateral practitioner discretion are all inappropriate.

9. A — A—Such a claim is permitted if it truthfully and accurately reflects the firm's actual practice focus and genuine expertise in that specific area of tax law. Claiming specialization is not categorically prohibited, is not restricted to attorneys with formal board certification, and carries no specific font size or formatting requirement under the rules.

10. D — D—This analysis evaluates whether the spousal relationship creates a genuine risk of confidential information being improperly shared between the two adverse representations involved. Mere geographic proximity of the two firms, general work discussions at home, and the couple's combined income are not themselves the substantive factors this analysis turns on.

11. C — C—Proper documentation should address the specific safeguards actually in place to prevent confidential information from being improperly shared between the spouses' respective matters at hand. The couple's own career opinions, comparative fee amounts, and years of marriage are not themselves this required documentation content addressing the genuine underlying conflict concern.

12. B — B—Sound procedures address evaluating whether expediting a matter can genuinely be accomplished without compromising the quality or accuracy of the underlying work performed. Automatically declining every request regardless of circumstances, automatically granting every request regardless of quality impact, and charging an automatic surcharge with no evaluation are all inadequate approaches.

13. A — A—This violation requires a showing of knowledge or reckless disregard regarding the statement's actual falsity, genuinely distinguishing it from a merely unintentional ordinary drafting mistake. No fault requirement at all would improperly sweep in honest errors, the client's own separate knowledge is not required, and no prior separate criminal conviction is required.

14. C — C—This obligation requires updating a representation that subsequent events have rendered materially misleading if left uncorrected, given the genuine change in circumstances. Mere stylistic outdatedness with no substantive significance, wording the practitioner would now phrase differently, and treating accuracy-when-made as requiring no further action all misstate this genuine ongoing obligation.

15. B — B—A proper opinion identifies the specific transaction with sufficient specificity to allow the client to genuinely understand precisely what the opinion does and does not cover. Deliberate vagueness for flexibility, excessive brevity omitting meaningful description, and intentional obscuring complexity all undermine the opinion's genuine clarity and overall usefulness to the client.

16. D — D—Competence here requires monitoring the regulation's ongoing development and honestly advising the client of the genuine uncertainty a proposed, not-yet-final regulation actually carries currently. Treating it as already final, ignoring it entirely until finalization, and guaranteeing it will be finalized exactly as proposed all misstate the appropriate genuinely cautious approach.

17. D — D—Such a claim should be accurate and based on genuine, verifiable data reflecting the firm's actual overall track record, not an inflated or cherry-picked figure. Substantially rounding up for impressiveness, categorically omitting all numerical claims, and basing the figure on a single favorable period rather than the overall record are all inappropriate approaches.

18. B — B—This obligation applies regardless of the practitioner's own personal belief about whether the requested records are actually relevant to the IRS's specific investigation. The obligation does depend on the request coming through the proper official channel and on the requesting employee actually being authorized, but not on the practitioner's own relevance judgment.

19. C — C—Failing to identify clearly applicable Saver's 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. A — A—Reevaluation is warranted because the new ownership arrangement may genuinely introduce parties whose interests diverge from the client's own in ways not previously present. There is no specific regulatory mandate for an entirely new engagement letter, ownership changes do not automatically terminate the engagement, and clients do not automatically demand a fresh memo.

21. B — B—False statements made in connection with the practitioner's own enrollment application are evaluated under the same false statement standards applicable to client-matter representations. This is not governed by an unrelated body of consumer protection law, is not exempt from scrutiny, and does not require proof of quantifiable financial harm to a specific party.

22. A — A—Confidentiality generally does not extend to information already legitimately part of the public record independent of the practitioner's own disclosure, since it is not genuinely confidential. It does extend to information shared verbally, to information relating to an already-resolved matter, and to information shared during an initial consultation before formal engagement.

23. C — C—Such a withdrawal should generally be documented with the specific warnings actually given and the client's continued refusal to correct the false information genuinely provided. Withdrawing silently with no documentation, reporting to the IRS before any documentation exists, and indefinitely continuing representation despite the ongoing falsity are all inappropriate approaches.

24. D — D—This accuracy obligation extends to both the factual information actually provided in the IDR response and any characterization of that information the practitioner offers. It is not limited only to factual information, is not limited only to characterization, and is not limited only to purely numerical calculations the response might involve.

25. A — A—A suspension must generally be served for the full specified period, without the practitioner's ability to unilaterally shorten it absent OPR's own approval of an early termination. It is not limited only to active working hours, is not served concurrently only with unrelated vacation time, and is not limited to counting only business days excluding weekends and holidays.

26. C — C—A Section 10.50 penalty is payable to the government as a regulatory sanction, genuinely distinct from any separate restitution that might compensate the harmed client directly. It is not calculated using an identical formula to restitution, does not automatically satisfy a separate restitution obligation, and can still be imposed even after some restitution has already occurred.

27. B — B—Reinstatement requires OPR to be genuinely satisfied the practitioner will comply with Circular 230 going forward, based on demonstrated conduct rather than mere promises. A bare verbal promise with no further evidence, merely paying a fee with no substantive showing, and obtaining every former client's endorsement are all insufficient for this required showing.

28. D — D—This scenario requires disclosing the ownership interest and genuinely evaluating whether it could improperly influence the advice given to affected tax clients. Simply divesting with no disclosure at all, ignoring the interest as unrelated, and disclosing only upon a specific client inquiry all fail to satisfy this proactive disclosure obligation.

29. C — C—A professionally referred prospective client should undergo the same systematic conflict check applied to any other prospective client, regardless of the referral source's professional standing.

Assuming automatic absence of conflict, skipping the check entirely, and relying exclusively on the referring professional's assurance are all inadequate approaches to this necessary check.

30. B — B—Circular 230 obligations exist alongside, not in place of, applicable state licensing rules and other bodies of professional responsibility law the practitioner must also satisfy. Circular 230 is not the exclusive governing authority, is not limited in relevance only to federal criminal law, and does not yield to a client's own personal preferences.

31. A — A—Sound judgment in ambiguous situations should be guided by the underlying purposes the relevant standard genuinely serves, informed by applicable guidance and precedent on point. Reading only the narrowest isolated text, relying only on personal outcome preference, and relying on unrelated precedent all risk missing the standard's genuine underlying intent.

32. D — D—Priority ordering matters because the IRS will generally direct correspondence to the representative listed with priority, absent other specific instruction provided. This does not mean only the first-listed representative may actually appear, does not mean later-listed representatives automatically lose authority, and multiple representatives are not prohibited on a single form.

33. B — B—A standard power of attorney generally and never automatically authorizes executing a closing agreement absent specific separate authorization checked for that particular heightened activity granted to the representative. 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. C — C—A power of attorney generally survives a mere change in the practitioner's own firm name, provided the same individual practitioner continues serving as the representative. It does not survive the taxpayer's death absent a durable provision, does not survive the covered matters concluding, and does not survive the representative's own withdrawal.

35. A — A—A TAO request itself is not among the statutorily recognized tolling events that actually affect the running of the assessment statute of limitations. TAO requests are not always automatically granted, the assessment statute does apply to matters TAS addresses, and TAS does have authority to address matters involving this statute in appropriate cases.

36. D — D—The IRS must generally complete its examination by the specific agreed date, or seek a further extension before that date if additional time is genuinely needed. It is not bound by a fixed thirty-day period regardless of the agreed date, is not required to complete immediately, and the agreed date is not merely advisory but genuinely binding.

37. C — C—A favorable determination letter issued to that specific taxpayer carries genuine authoritative weight for that taxpayer, though limited specifically to the matter it actually addresses. It is not without authoritative weight, does not bind other similarly situated taxpayers nationwide, and carries more weight than a merely informal FAQ for that taxpayer's own matter.

38. A — A—Reliance on an informal FAQ later found inaccurate provides some support for reasonable cause, though the IRS has itself noted such informal guidance carries genuinely limited protection. This is not absolute unconditional protection regardless of circumstances, is not entirely without support, and is not equivalent in strength to relying on a formal Revenue Ruling.

39. D — D—Transparent disclosure demonstrates the genuine absence of any intent to conceal facts from the government, the defining distinction separating legitimate avoidance from evasion. Ultimate legal incorrectness is not irrelevant to the tax consequence itself, good faith belief alone without disclosure is not automatically sufficient, and courts are not required to rule favorably merely due to disclosure.

40. B — B—TAS reports identified systemic problems to Congress and appropriate IRS officials through the National Taxpayer Advocate's statutorily required annual and other reports. This reporting is not limited only to the individual taxpayer whose case revealed the issue, is not made to a private watchdog organization, and systemic issues are within TAS's genuine authority.

41. C — C—A TAO directive becomes effective upon proper issuance and receipt by the relevant IRS function, subject to any recognized exception the function may properly raise. It does not require separate independent federal court review and approval, does not require a ninety-day waiting period, and requires no separate taxpayer processing fee for issuance.

42. A — A—An EA's unlimited practice rights extend to worker classification determination disputes, in addition to income, employment, and other 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.

43. B — B—A proper preliminary assessment confirms the specific bankruptcy chapter filed and its genuine implications for the applicable tax matter and timing considerations involved. The court's physical location, the taxpayer's opinion of the bankruptcy process's fairness, and the specific bankruptcy attorney retained are not themselves the substantive factors this assessment should focus on.

44. D — D—A thorough conflict check for a bankruptcy matter should extend to whether the practitioner has any prior or current relationship with the trustee or other involved creditors. The trustee's formal legal name alone, the court's docket number, and the total creditor count are not themselves sufficient without this broader relationship-focused inquiry.

45. D — D—A bankruptcy-related transcript entry generally reflects the assessment statute's tolling during the bankruptcy's automatic stay period, a recognized tolling circumstance. It does not indicate an automatic complete discharge of the liability regardless of outcome, is not unrelated to any actual proceeding, and is not itself a penalty for filing bankruptcy.

46. A — A—This analysis should account for how the bankruptcy proceeding's own terms and timeline genuinely interact with the taxpayer's actual, ongoing tax obligations in the collection matter. The taxpayer's mere preference between options, the court's general reputation, and the specific bankruptcy attorney retained are not themselves the correct comparative basis here.

47. B — B—A practitioner should consider how the bankruptcy's automatic stay might genuinely affect the timing or processing of the innocent spouse relief request during this period. The requesting spouse's opinion of the other spouse's financial decisions, total years married, and current occupation are not themselves the primary consideration this specific interaction requires.

48. C — C—Proper documentation should carefully address the multi-factor test's actual consideration of whether the requesting spouse's participation in return preparation was genuinely limited by the specific circumstances present. Wedding venue choice, shared home decor taste, and vacation preferences are not themselves the substantive factors this specific multi-factor equitable test actually considers.

49. D — D—A sound assessment weighs whether the taxpayer's reporting of cryptocurrency transactions reflects genuine good-faith compliance or instead deliberate concealment from the IRS. The specific exchange used, the client's general demeanor at one meeting, and the current dollar value held are not themselves the substantive factors this assessment should focus on.

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

51. B — A—A proper Kovel arrangement requires the accountant's forensic analysis be directed by the attorney and genuinely connected to assisting the attorney's actual legal advice on the matter. 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.

52. A — A—Proper documentation should include a genuine reconciliation of the taxpayer's actual transaction history against the amounts actually reported on the filed return. A bare general assertion of proper reporting with no reconciliation, the exchange's marketing materials, and the taxpayer's opinion of cryptocurrency's value are not themselves this required substantive documentation.

53. C — B—A proper case assessment should carefully and clearly distinguish between transactions with reliable, verifiable cost-basis documentation and transactions genuinely lacking such supporting documentation, a substantive distinction. Weekday versus weekend timing, round versus odd dollar amounts, and personal interest level are not themselves meaningful analytical distinctions this specific assessment should draw.

54. B — B—Case-building for this reasonable cause claim should include genuine evidence regarding the actual complexity and evolving nature of cryptocurrency tax guidance at the relevant time period. A bare general assertion of confusion with no detail, merely the total holdings amount, and the exchange's customer service times are not themselves this required substantive evidence.

55. D — D—A thorough preliminary assessment should always clearly include documenting the specific cryptocurrency platforms and wallets genuinely involved, along with the applicable transaction history actually available to review. 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.

56. A — A—Case-building for this claimed lack of understanding should document the specific evidence regarding the taxpayer's actual sophistication level and the guidance genuinely available at the relevant time. The taxpayer's own subjective belief alone, merely the total tax amount at issue, and merely the trading start date are not themselves this required substantive documentation content.

57. D — D—A sound approach reflects careful research into evolving IRS guidance combined with conservative, well-documented positions appropriate to this genuinely novel and developing area. Immediately committing to the most aggressive position with no research, avoiding the novel area entirely, and deferring entirely to the client's own approach all fail to reflect this necessary careful approach.

58. B — B—The genuine aim is ensuring positions are both accurately calculated and adequately documented given the genuinely evolving guidance characterizing this developing area. It does not aim for maximal aggression regardless of documentation support, does not aim for mere consistency with the taxpayer's hoped-for outcome, and does not disregard whether data supports the position.

59. A — A—This philosophy should reflect the understanding that thorough documentation genuinely better positions the taxpayer to respond credibly if the IRS later questions the reported figures. Thorough documentation does not guarantee avoiding scrutiny regardless of transaction volume, remains relevant even short of formal litigation, and remains relevant well beyond the initial preparation stage.

60. C — C—A sound approach includes periodically revisiting previously taken positions in light of subsequently issued guidance that may genuinely affect their continued validity. Assuming permanent validity regardless of new guidance, declining to ever revisit positions, and relying exclusively on the client's own monitoring all fail to reflect this necessary ongoing diligence.

61. A — A—A realistic short-term proposal should account for whether the taxpayer genuinely has sufficient anticipated income or liquid assets to complete payment within the proposed short-term period. Mere terminology preference, prior unrelated use of a similar plan, and simply owning real property regardless of its actual liquidity are not themselves the relevant consideration.

62. C — C—A guaranteed agreement is generally unavailable where the combined total of tax, penalties, and interest exceeds the applicable $10,000 threshold set for this specific agreement type. It is not unavailable simply because any penalty amount is included, is not unavailable simply because any interest is included, and is not unavailable simply for spanning more than one year.

63. D — D—This special circumstances category allows accepting an offer below the calculated RCP where collecting the full RCP would create genuine economic hardship or otherwise be inequitable. Disputing the liability's legal correctness describes Doubt as to Liability instead, a clean prior-offer history is not required, and the offer need not exceed RCP.

64. B — B—A designated payment application allows the taxpayer to direct how the initial payment is applied among multiple tax years or types of liability actually owed. It is not a mechanism to avoid submitting any payment, does not guarantee automatic immediate acceptance, and does not itself waive the application fee, which depends on separate income eligibility.

65. B — B—This discharge category generally requires the sale proceeds to be held in escrow pending a determination of the government's actual interest in the property sold. It is not a category requiring no payment or escrow at all, does not involve payment made directly to the taxpayer instead of escrow, and does not require a separate new simultaneous lien filing.

66. D — D—Levying a retirement account is subject to specific procedural requirements, including consideration of whether the levy would create genuine, undue economic hardship for the taxpayer involved. It is not treated with no procedural requirements at all, does not require the plan administrator's automatic approval, and carries no mandatory one-year waiting period.

67. A — A—CNC status may generally be terminated where the taxpayer fails to file a subsequently required return while the status remains in effect, reflecting noncompliance during the CNC period. A simple regional address move, an employer change within the same industry, and a routine mailing address update do not themselves terminate CNC status.

68. C — C—A CDP request raising a genuine collection alternative should always generally include a completed Collection Information Statement reflecting the taxpayer's actual current financial situation. A bare unsupported fairness opinion, merely a copy of the triggering notice, and a general unsupported disagreement statement are all insufficient without this substantive financial documentation.

69. B — B—The TFRP calculation is limited to the specific trust fund portion of the unpaid employment taxes, not the entire employment tax liability the business owes overall. It is not calculated as the entire liability including non-trust fund portions, is not a fixed percentage of gross revenue, and is not left to an officer's unconstrained personal discretion.

70. A — A—This defense requires demonstrating the individual genuinely lacked sufficient funds to pay any creditors at all, distinct from merely preferring to pay other creditors instead of the IRS. A later bankruptcy filing alone, personal dislike of difficult decisions, and recent hire status do not themselves establish this genuine, complete lack of available funds.

71. C — A—Privilege can be inadvertently waived by disclosing the substance of an otherwise privileged communication in an unrelated public filing, breaking the confidentiality the privilege depends upon. Formally asserting the privilege, discussing only the general engagement nature without revealing specific advice, and securely retaining the communication do not themselves waive the privilege.

72. D — D—A Cohan estimate for a category outside Section 274(d) may be sustained where the taxpayer shows credible evidence the expense was genuinely incurred, even absent an exact receipt. A general belief others commonly incur similar expenses, mere recognition the category is generally deductible, and simple preference for a higher deduction do not themselves support acceptance.

73. C — C—A proper review verifies the adjustment's consistency with the applicable partnership audit regime, such as the centralized partnership audit rules governing how adjustments flow to partners. The specific font size, the adjustment's position within the report, and comparative page length to other entity types are all irrelevant to this genuine substantive verification.

74. D — D—The response should carefully address whether the taxpayer intends to elect out of the centralized partnership audit regime where eligible, or instead proceed under its applicable governing rules. Ignoring the letter entirely, requesting an unrelated office transfer, and demanding a personal explanation for the examination choice are all inappropriate approaches.

75. B — B—This should always carefully prompt verification against the taxpayer's actual Schedule K-1 documentation genuinely received from the partnership regarding the pass-through income reported. The partnership's general community reputation, the specific display font, and the presence of an official seal are all irrelevant to this genuine substantive verification actually needed here.

76. A — A—A petition contesting a partnership-level adjustment must generally be filed by the partnership representative designated under the applicable centralized partnership audit regime rules. It is not properly filed by any individual partner acting independently, is not limited to the original founding partner specifically, and a simple majority vote is not the recognized filing mechanism.

77. B — B—Preparation should always carefully include coordination with the designated partnership representative and, where genuinely relevant, individual partners who may be affected by the outcome. Coordinating only with the most personally cooperative partner, only same-state partners, and only partners above an arbitrary ownership threshold are all inadequate approaches to this coordination.

78. C — C—Proper documentation should reflect how the settlement's terms will genuinely flow through to and affect the individual partners under the applicable centralized audit regime rules. The Officer's general policy views on partnerships, the specific conference room location, and merely the representative's general satisfaction are not themselves this required documentation content.

79. A — A—Partnerships are categorically excluded from the small tax case procedure regardless of how small the disputed dollar amount might otherwise be, requiring the regular procedure instead. The disputed amount is not automatically below the threshold, individual partners are not required to separately elect, and the procedure is not reserved exclusively for partnerships.

80. D — D—A proper protest should identify the specific partnership items being contested and clearly state the designated partnership representative's actual position on those items. Individual partners' general opinions on partnership taxation, the total current partner count, and the specific state of formation are not themselves the required substantive content of this protest.

81. C — C—Proper documentation should clearly and specifically specify how the imputed underpayment was actually calculated and any elections genuinely made regarding its allocation among the partners. The Officer's general preference regarding the audit regime, the partnership's original formation date, and merely the representative's general satisfaction are not themselves this required documentation content.

82. A — A—This decision should weigh whether a neutral mediator could genuinely help resolve the specific remaining issue, given the particular rules governing the centralized partnership audit regime.

The mediator's personal political views, a preferred scheduling day, and the practitioner's unrelated prior individual-matter mediation experience are not themselves the substantive factors here.

83. B — B—A partnership-level settlement generally binds the partnership itself and, through the applicable centralized audit regime, the individual partners genuinely affected by the resulting adjustment. It is not limited to binding only the representative personally, is not limited to binding only the partners with no effect on the entity, and is not entirely non-binding.

84. D — C—This approach should reflect the understanding that the designated representative holds sole authority to bind the partnership in the proceeding, distinct from any individual partner's own separate authority. The representative does not need unanimous partner consent for every action, does hold genuinely meaningful authority beyond an ordinary partner's, and is not automatically disqualified by mere partner disagreement.

85. D — D—Manual review should focus on state-specific adjustments and credits the software may not have fully captured, given the genuinely unique rules each state applies. Reviewing only the federal portion as automatically reliable, reviewing no portion at all, and reviewing only identifying fields all fail to address this genuine multi-state complexity risk.

86. A — A—This discovery illustrates the importance of reviewing how income is genuinely allocated among the various states, not merely the federal total, for overall consistency. The specific software version, the client's state prioritization preference, and the total number of states involved are all irrelevant to this genuine substantive allocation consistency review needed.

87. B — B—This obligation generally applies to the return as a whole, not requiring entirely separate recordkeeping treatment for each individual state's portion of the overall filing. It is not required separately per state, does extend beyond only the federal portion, and does not depend on the preparer holding a separate state-specific license.

88. C — C—A sound approach generally evaluates security obligations against the most protective applicable standard among the relevant jurisdictions, absent specific conflicting guidance requiring otherwise. Relying only on the preparer's home state standard, treating multi-state data as exempt, and defaulting to the least protective standard all reflect inadequate approaches to this obligation.

89. D — D—E-file Application coverage generally always fully extends regardless of which specific state or states the underlying taxpayers actually reside in or file returns for, since it is federally administered. Coverage does depend on completing the suitability check, holding an active PTIN, and submitting the application through the proper official channel.

90. C — C—This should always generally and carefully be managed through a consistent firm-wide approach ensuring each office genuinely satisfies the applicable federal e-file requirements uniformly. Entirely separate independent approaches per office, no coordinated management at all, and delegation with no firm-wide oversight all risk inconsistent compliance across the firm's various locations.

91. A — A—This covered-return count generally aggregates returns across all the states and jurisdictions in which the preparer actually prepares covered federal returns, a nationwide aggregate approach. It is not limited to a single designated primary state, is not limited to the preparer's own home state clients, and is not calculated with separate independent thresholds per state.

92. B — B—Form 8948 should always clearly reference the specific exception applicable to the federal return, since state-level e-file requirements are governed separately by each state's own distinct rules. It should not reference an individual state's own separate mandate exception, the preparer's general opinion of multi-state e-filing, or the software otherwise used.

93. B — B—A Form 8944 request generally addresses only the federal electronic filing mandate, not any separate state-level electronic filing requirement, which each state administers independently. It does not simultaneously address both federal and every state requirement in one request, is not limited only to a state requirement, and genuinely addresses the federal mandate.

94. D — D—Form 8879 authorizes electronic filing of the specific returns the form actually identifies, which may include federal, state, or both depending on how it is completed. It does not always require an entirely separate authorization for state returns specifically, does not address only state returns, and does not address only paper filing.

95. C — C—This retention obligation covers the single authorization form covering whichever returns it actually identifies, consistent with the standard applicable federal retention rules. It does not require a separate retention period for each individual identified state return, does not exempt the state-related portions from retention, and does not require double the standard period.

96. A — A—This confirmation should always clearly include checking both the federal instructions and any applicable state-specific transmittal requirements separately, since each is governed independently. Checking only the federal instructions, checking only state-specific instructions, and checking neither because the form is treated as obsolete all fail to properly address this multi-jurisdictional need.

97. A — A—The correction should address whether the rejection originated from the federal portion, a specific state's portion, or both, since each can genuinely reject independently. It is not limited to only the federal portion being capable of rejection, not limited to only a state portion, and rejections do not always uniformly affect the entire filing.

98. B — B—A sound protocol should address both the federal and applicable state identity theft resolution processes, since these processes can genuinely differ meaningfully between jurisdictions. Addressing only the federal process assuming state processes are identical, addressing only a state process, and addressing neither all fail to properly serve a multi-state practice's clients.

99. C — A—A sound compliance program should include staff training on both federal e-file requirements and the specific state requirements genuinely relevant to the firm's actual client base. Training on only federal requirements, only state-specific requirements, and relying on generic software training alone without either specific focus all fail to properly prepare staff.

100. D — D—This overall commitment reflects the recognition that serving clients across multiple jurisdictions carries a correspondingly broader scope of compliance responsibility for the firm. This is not the same responsibility scope as a single-state practice, responsibility does not narrow as practice expands, and every relevant jurisdiction carries genuine compliance relevance, not only the main office location.