PRACTICE EXAM 16: 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 enrollment cycle assignment based on the last digit of the practitioner's Social Security number generally means practitioners with different last digits:

A. Renew on staggered schedules, spreading the IRS's overall renewal processing workload across different periods
B. Are subject to entirely different substantive continuing education requirements from one another
C. Pay entirely different renewal fee amounts depending on the specific last digit involved
D. Are evaluated under entirely different Circular 230 conduct standards from one another

2. A practitioner's continuing education hours earned in excess of the ethics-specific minimum but counted toward the general requirement generally:

A. Are prohibited entirely, since ethics hours may never count toward the separate general requirement
B. Must be specifically approved by OPR before they may count toward the general requirement
C. Automatically disqualify the practitioner from receiving credit for any other hours earned that cycle
D. Are permitted, since general hours may include ethics hours beyond the specific minimum required

3. A practitioner's failure to maintain a valid PTIN generally results in:

A. Automatic and immediate disbarment from Circular 230 practice regardless of any other circumstances
B. No practical consequence whatsoever, since a PTIN is treated as entirely optional for any practitioner

C. An inability to lawfully prepare returns for compensation, distinct from the separate enrollment status itself

D. Automatic conversion of the practitioner's enrollment status into inactive status

4. OPR's disciplinary process generally provides a practitioner facing a formal complaint the opportunity to:

A. Personally select which Administrative Law Judge will preside over the practitioner's own hearing

B. Respond to the allegations and request a hearing before an Administrative Law Judge

C. Have the complaint automatically dismissed simply by requesting dismissal in writing

D. Require OPR to disclose the identity of any confidential source who reported the underlying conduct

5. A practitioner's due diligence obligation regarding a client's claimed self-employment health insurance deduction generally requires:

A. Independent verification directly with the specific insurance carrier named on the return

B. Automatic disallowance of any deduction claim exceeding a specific fixed dollar amount

C. No inquiry whatsoever, since self-employment health insurance claims are presumed accurate automatically

D. A reasonable inquiry into whether the claimed amount and eligibility requirements are genuinely satisfied

6. A practitioner's advice regarding a position with substantial authority generally satisfies Section 10.34 even where the practitioner:

A. Fails to inform the client that the position carries any risk whatsoever of examination

B. Does not personally and independently research the underlying authority, provided a reasonable basis for reliance exists

C. Knows the position is factually inaccurate but proceeds to advise taking it regardless

D. Charges the client an unconscionable fee for providing the specific advice given

7. A contingent fee arrangement for representation in a matter that begins as an examination but later expands to include an unrelated original return for a different year is generally:

A. Permitted as to the examination but not as to the newly involved unrelated original return
B. Permitted in its entirety for both the examination and the newly involved unrelated original return
C. Prohibited in its entirety for both the examination and the newly involved unrelated original return
D. Permitted only if the client separately and additionally consents in writing to the combined arrangement

8. A practitioner's fee arrangement charging a flat rate regardless of the actual time spent is generally evaluated for reasonableness based on:

A. Whether the flat rate happens to be lower than what an hourly billing approach would have produced
B. Whether the client happened to negotiate the specific flat rate before signing the engagement letter
C. Whether the flat rate reasonably approximates the value of services genuinely expected across similar matters
D. Whether the flat rate is specifically labeled as "flat fee" in the engagement letter itself

9. A practitioner's advertisement stating the firm "leads the industry" in a specific service area is generally:

A. Always permitted, since superlative marketing language is categorically exempted from scrutiny
B. Permitted only if every single competing firm in the area formally agrees with the claim
C. Irrelevant to Circular 230, since it is treated as harmless marketing puffery
D. Potentially misleading unless the practitioner can substantiate the specific superlative claim made

10. A practitioner's conflict of interest analysis for representing a taxpayer against a business entity in which the practitioner holds a small, passive investment interest generally should evaluate:

A. Only the total dollar amount of the practitioner's passive investment interest in isolation
B. Whether the passive investment, regardless of size, could reasonably be perceived as affecting the practitioner's independent judgment

C. Only whether the practitioner has ever personally visited the business entity's physical location

D. Only whether the practitioner's investment interest happens to be publicly disclosed somewhere

11. A practitioner's written consent documentation for representing a taxpayer against a business in which the practitioner holds a passive investment interest should generally address whether:

A. The practitioner has disclosed the specific nature and extent of the investment interest to the affected client

B. Only the practitioner's own personal opinion of the business entity's overall financial prospects

C. Only the specific total dollar amount the practitioner originally paid to acquire the investment interest

D. Only whether the practitioner intends to sell the investment interest at some unspecified future date

12. A firm's Section 10.36 procedures should generally address how the firm evaluates a prospective client's matter for potential ethical concerns by:

A. Relying exclusively on the intuition of whichever staff member happens to conduct the initial intake call

B. Accepting every prospective client's matter automatically with no ethical screening of any kind

C. Deferring the ethical evaluation entirely until after the engagement has already substantially begun

D. Establishing a consistent intake process that flags matters warranting heightened scrutiny before acceptance

13. A practitioner's Section 10.51(a)(4) violation for false statements requires the false statement to have been made in connection with:

A. Only a matter specifically involving a formal, notarized written document submitted to the IRS

B. Only a matter already pending in active U.S. Tax Court litigation specifically

C. A matter before the Department of the Treasury, including but not limited to the IRS specifically

D. Only a matter involving a dispute exceeding a specific minimum dollar threshold

14. A practitioner's obligation regarding accuracy of representations generally requires correcting a representation made by a predecessor practitioner where the current practitioner:

A. Has no genuine knowledge whatsoever that the predecessor's representation might have been inaccurate
B. Discovers the predecessor's representation was materially inaccurate and continues representing the same client
C. Never actually reviewed any of the predecessor practitioner's own prior work product at all
D. Has already formally and completely terminated the representation of that same client

15. A practitioner's written tax opinion prepared in reliance on facts the client represented, where the practitioner had genuine reason to doubt those facts, is generally:

A. Inconsistent with the good-faith reliance standard, since reliance is not reasonable where genuine doubt exists
B. Fully consistent with the good-faith reliance standard regardless of any genuine doubt the practitioner had
C. Irrelevant to Circular 230, since factual reliance is treated as entirely outside its scope
D. Permitted only if the practitioner separately verifies every single fact independently regardless of any doubt

16. A practitioner's competence obligation regarding a matter involving a state's own separate, distinct tax rules interacting with federal tax treatment generally requires:

A. Automatic acceptance of the matter regardless of the practitioner's actual familiarity with the applicable state rules
B. Automatic decline of the matter with no possibility of developing the needed understanding
C. Sufficient understanding of the interaction, or appropriate referral to a practitioner with relevant state expertise
D. Reliance exclusively on the client's own understanding of the applicable state tax rules

17. A practitioner's advertising claim regarding the firm's average client outcome should generally be:

A. Based on a genuinely representative sample of actual client matters, not a cherry-picked subset
B. Based on only the single most favorable outcome the firm has ever achieved for any client

C. Presented with no supporting basis of any kind, since average figures are inherently persuasive
D. Omitted entirely from all advertising, since average outcome claims are categorically prohibited

18. A practitioner's Section 10.20 obligation regarding record submission generally applies to a request that is properly scoped, meaning the request:

A. Must specifically identify the exact IRS regulation authorizing the particular request being made
B. Must be limited to records created within the current calendar year specifically
C. Must be submitted using a specific standardized form the IRS has designated for this exact purpose
D. Reasonably relates to a matter the IRS is actually authorized to examine or investigate

19. A practitioner's failure to identify a client's eligibility for the Retirement Savings Contribution 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 where an existing client's matter expands to include a new co-defendant or co-respondent because:

A. IRS regulations specifically mandate an entirely new engagement letter for every such addition
B. The newly added party's interests may genuinely diverge from the originally represented client's own interests
C. Adding a new party automatically and categorically terminates the pre-existing engagement entirely
D. Clients specifically expect and demand a fresh conflict evaluation memo for every such addition

21. A practitioner's disreputable conduct violation involving misappropriation of client funds generally is evaluated with particular seriousness because it involves:

A. A matter having no genuine connection whatsoever to the practitioner's actual tax practice
B. Conduct that, while concerning, carries no meaningful implication for a client's own financial welfare
C. A direct breach of the fiduciary trust clients place in a practitioner handling their financial matters
D. A category of conduct Circular 230 does not actually address or regulate in any way

22. A practitioner's obligation to maintain confidentiality of client information generally does NOT excuse the practitioner from:

A. Declining to voluntarily disclose the information to an unrelated third party with no legal basis for the request
B. Complying with a valid, properly authorized subpoena compelling disclosure of the specific information
C. Declining to discuss the client's matter in a public setting where unrelated third parties could overhear
D. Maintaining reasonable technical and physical safeguards protecting the confidentiality of the information

23. A practitioner's decision to decline representing a client whose position the practitioner reasonably believes crosses into criminal territory is generally:

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

24. A practitioner's obligation regarding accuracy of representations extends to a formal offer in compromise submission to the extent the submission concerns:

A. Only the taxpayer's financial information provided, never any characterization offered
B. Only any characterization offered, never the taxpayer's financial information provided
C. Neither category, since accuracy obligations apply only to numerical calculations specifically

D. Both the taxpayer's financial information provided and any characterization of that information offered

25. A practitioner's suspension sanction generally does NOT prevent the practitioner from:

A. Practicing before the IRS during the specific defined suspension period itself
B. Representing taxpayers in any IRS examination during the suspension period
C. Continuing to serve on the board of a professional association unrelated to IRS practice specifically
D. Representing taxpayers at any Appeals conference during the suspension period

26. A practitioner's monetary penalty under Section 10.50, when the practitioner disputes the underlying finding, generally may be challenged through:

A. No mechanism whatsoever, since a monetary penalty specifically is treated as entirely final and unreviewable
B. A private arbitration proceeding conducted entirely outside any governmental process
C. A direct informal appeal to the individual OPR attorney who originally handled the underlying matter
D. The same administrative and, where applicable, judicial review procedures available for other Circular 230 sanctions

27. A practitioner's reinstatement petition following disbarment should generally address the practitioner's:

A. Understanding of why the original conduct violated Circular 230 and steps taken to prevent recurrence
B. Only the practitioner's own general assertion that sufficient time has now elapsed
C. Only the practitioner's current financial need to resume practicing before the IRS
D. Only the practitioner's personal opinion regarding whether the original disbarment was fair

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

A. Disclosing the material facts of the actual conflict itself to each affected client
B. Disclosing the conflict to the IRS itself, as distinguished from disclosing it to the affected clients
C. Explaining how the representation might reasonably be affected by the identified conflict
D. Obtaining each affected client's informed written consent before proceeding with the representation

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

A. Assuming business partnerships automatically eliminate any possibility of a genuine conflict
B. Evaluating whether the business partner's own interests could genuinely diverge from the client's in the specific matter
C. Skipping the conflict check entirely, since business partners are treated as a single unified client
D. Relying exclusively on the partners' own internal assurance that no conflict genuinely exists

30. A practitioner's overall professional obligations under Circular 230 reflect a recognition that the IRS itself often lacks the practical capacity to:

A. Collect any tax revenue whatsoever without the direct involvement of a qualified practitioner
B. Process any tax return whatsoever without a practitioner's separate involvement in the process
C. Personally guide every individual taxpayer through the complexities of tax compliance without practitioner assistance
D. Enforce any tax law whatsoever without practitioners serving in a law enforcement capacity

31. A practitioner's overall commitment to Circular 230's standards ultimately serves the broader public interest by:

A. Fostering confidence that practitioners representing taxpayers before the IRS meet defined standards of competence and integrity
B. Ensuring every taxpayer represented by a practitioner receives an identical, guaranteed tax outcome
C. Eliminating the need for the IRS to conduct any examinations of practitioner-prepared returns
D. Guaranteeing practitioners never make any error whatsoever in representing a client's interests

32. A taxpayer's power of attorney should generally list a specific representative's CAF number to:

A. Satisfy a purely arbitrary IRS formatting preference with no substantive purpose whatsoever
B. Allow the IRS to calculate the practitioner's applicable continuing education fee more accurately
C. Determine which specific IRS office will ultimately be assigned to process the authorization
D. Allow the IRS to properly link the authorization to that representative's existing centralized record

33. A taxpayer's power of attorney generally must specify the tax period using a format that:

A. Uses only the exact calendar date the authorization was originally signed by the taxpayer
B. References only the specific IRS office currently handling the underlying matter
C. Clearly identifies the specific year or a defined range, avoiding open-ended or ambiguous language
D. Includes the taxpayer's own personal Social Security number written a second time

34. A taxpayer's power of attorney generally becomes ineffective as to a specific representative upon that representative's:

A. Simple change of personal mailing address unrelated to any disciplinary matter
B. Brief, scheduled vacation lasting two weeks or less
C. Routine renewal of the representative's own enrollment on the applicable cycle
D. Suspension or disbarment from practice before the IRS under a Circular 230 disciplinary action

35. A taxpayer's assessment statute of limitations generally is NOT tolled by:

A. The taxpayer's routine annual filing of subsequent years' returns with no other connection to the matter
B. A pending offer in compromise under active IRS review
C. A Tax Court proceeding actively contesting a notice of deficiency
D. The taxpayer being continuously outside the United States for at least six months

36. A taxpayer's Form 872 extension should generally be evaluated by the practitioner against whether the extension provides sufficient time to:

A. Simply delay the matter as long as possible with no genuine underlying resolution purpose
B. Fully develop the facts and legal analysis necessary to resolve the matter appropriately
C. Allow the taxpayer to change tax return preparers before the matter is ultimately resolved
D. Allow the IRS to reassign the matter to a different, entirely unrelated examining agent

37. A taxpayer's position supported by a formal, published Revenue Ruling that has since been partially modified by a subsequent ruling generally requires the practitioner to:

A. Evaluate the position under the currently modified guidance, not the original, now-superseded ruling alone
B. Continue relying exclusively on the original ruling, since subsequent modifications are treated as irrelevant
C. Disregard both the original and the modifying ruling entirely as though neither guidance ever existed
D. Automatically conclude the position is now frivolous simply because some modification has occurred

38. A taxpayer's reliance on a position supported by a majority of federal courts that have actually addressed the specific issue generally reflects:

A. No meaningful authoritative support whatsoever, since court decisions are treated as purely advisory
B. Weight inferior to an informal, non-precedential IRS website FAQ addressing the identical topic
C. Automatic binding precedent applicable to every federal court nationwide regardless of jurisdiction
D. Strong authoritative support, though not necessarily binding in every circuit until the taxpayer's own circuit rules

39. A taxpayer's disclosure of a debatable position through Form 8275 generally should include a statement of:

A. Only the taxpayer's personal opinion regarding whether the IRS will ultimately accept the disclosed position

B. Only a general statement that some unspecified position is being disclosed with no further detail

C. The relevant facts and the specific tax treatment applied, allowing the IRS to evaluate the position

D. A guarantee the disclosed position will definitely withstand any subsequent IRS challenge raised

40. A taxpayer's transparent, well-documented position later found incorrect by the IRS generally results in the taxpayer facing:

A. Automatic criminal prosecution regardless of the position's transparency and documentation

B. At most a civil tax adjustment and possibly interest, absent evidence of fraud or willful evasion

C. No consequence whatsoever, since transparency is treated as providing complete, unconditional immunity

D. Mandatory referral to IRS Criminal Investigation regardless of the underlying facts and circumstances

41. The Taxpayer Advocate Service's Case Advocacy function is generally distinguished from Systemic Advocacy in that Case Advocacy addresses:

A. A specific individual taxpayer's particular circumstances, rather than broad IRS process or policy issues

B. Only issues affecting multiple taxpayers simultaneously, never a single individual taxpayer's own matter

C. Only matters already pending in active Tax Court litigation specifically

D. Only matters involving amounts exceeding a specific minimum dollar threshold

42. A Taxpayer Assistance Order's issuance generally requires the requesting taxpayer to demonstrate that normal administrative channels:

A. Were never actually attempted at all, since attempting them first is treated as unnecessary

B. Have been attempted without success, or that attempting them would itself cause additional hardship

C. Are entirely unavailable to the taxpayer under any circumstances whatsoever

D. Would guarantee an outcome more favorable than what a TAO could otherwise achieve

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 innocent spouse relief or employment tax matters
B. Only matters the EA personally prepared the underlying filing for
C. A denial of innocent spouse relief, in addition to income, employment, and other tax matters
D. Only matters involving amounts below a specific dollar threshold

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

A. Only the specific country to which the taxpayer is relocating following expatriation
B. Only the taxpayer's personal opinion regarding U.S. tax policy generally
C. Only the specific date the taxpayer's passport was originally issued
D. Whether the taxpayer qualifies as a covered expatriate and the applicable exit tax implications

45. A conflict check's scope for a matter involving an expatriating taxpayer's family members remaining in the United States should generally extend to:

A. Only the family members' own formal legal names, with no inquiry into their potential interests
B. Only the specific state in which the family members currently reside
C. Whether the family members' own separate tax interests could genuinely diverge from the expatriating taxpayer's interests
D. Only the total number of years the family has lived in the United States

46. A taxpayer's account transcript for a year involving an expatriation-related exit tax generally reflects:

A. No distinction whatsoever between the exit tax and the taxpayer's ordinary income tax liability
B. An entry unrelated to any actual IRS action, requiring no further explanation at all
C. A penalty specifically assessed against the taxpayer for having chosen to expatriate
D. The specific exit tax assessment separate from the taxpayer's ordinary income tax liability for that year

47. A practitioner's analysis of an expatriating taxpayer's covered expatriate status should generally account for:

A. The taxpayer's net worth, average annual net income tax liability, and tax compliance certification
B. Only the taxpayer's personal preference for whether covered expatriate status should apply
C. Only the specific country to which the taxpayer is relocating following expatriation
D. Only the taxpayer's age at the time of the expatriation

48. A requesting spouse's Innocent Spouse Relief claim involving a spouse who subsequently expatriated generally should address:

A. Only the requesting spouse's personal opinion regarding the other spouse's decision to expatriate
B. Whether the expatriation affects the practical ability to collect from or communicate with the other spouse
C. Only the couple's total combined years of marriage before the expatriation occurred
D. Only the requesting spouse's current occupation and specific employer

49. A practitioner's documentation for a matter involving a taxpayer's potential covered expatriate status 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 all five preceding years' federal tax obligations have actually been satisfied
D. Only the couple's preferred vacation destinations over the years

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

A. Whether the expatriation itself was undertaken to conceal assets or evade an existing tax liability
B. Only the specific country to which the taxpayer relocated following expatriation

C. Only the client's overall general demeanor during a single initial consultation meeting
D. Only the specific total dollar value of assets the taxpayer currently holds

51. A practitioner who identifies potential criminal exposure in an expatriation matter should generally avoid:

A. Advising the client to consult with counsel experienced in expatriation-related tax matters
B. Documenting the specific reasoning behind any referral made to specialized counsel
C. Continuing to handle unrelated civil matters for the client within the practitioner's actual competence
D. Advising the client to simply proceed with expatriation without first addressing any underlying tax compliance issues

52. A Kovel arrangement's application to an expatriation-related matter generally requires the accountant's 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

53. A practitioner's case-building documentation for an expatriation matter should generally include:

A. Calculations supporting the taxpayer's actual net worth and average income tax liability figures used
B. Only the taxpayer's own general assertion regarding net worth with no supporting calculation provided
C. Only the specific relocation destination's general cost of living information
D. Only the taxpayer's personal opinion regarding the overall fairness of the exit tax regime

54. A practitioner's overall case assessment for an expatriation matter should generally distinguish between:

A. Only assets acquired before versus after a specific arbitrary calendar date unrelated to the regime
B. Only assets located in one specific state versus assets located in another specific state
C. Only assets with a name containing the word "trust" versus assets without that word
D. Assets subject to the mark-to-market exit tax regime and assets subject to separate specific rules

55. A practitioner's overall case-building strategy for an expatriation matter involving genuinely complex asset valuations should generally include:

A. Only a narrative description with no supporting valuation of any kind provided at all
B. Only the taxpayer's own proposed valuation figures, accepted without any independent review
C. Obtaining or reviewing credible, well-supported valuations for each significant asset category involved
D. Avoiding any valuation of complex assets entirely to prevent inviting additional scrutiny

56. A practitioner's overall preliminary case assessment process for an expatriation matter should generally include documenting:

A. Only the practitioner's own personal fee arrangement for handling the specific matter
B. The specific date of expatriation and its implications for the applicable tax year and exit tax calculation
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 exception to covered expatriate status should generally document:

A. Only the taxpayer's own personal, subjective belief that an exception genuinely applies
B. Only the specific total dollar amount of tax ultimately at issue in the matter
C. Only the specific date the taxpayer first obtained U.S. citizenship or residency
D. The specific evidence supporting the claimed exception, such as dual-citizenship-from-birth status

58. A practitioner's overall approach to preliminary case assessment for a genuinely complex international matter like expatriation should generally reflect:

A. Immediate commitment to a specific strategy before any meaningful fact development has occurred
B. Complete avoidance of the complex matter 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 for an expatriation matter ultimately aims to ensure the taxpayer's covered expatriate determination is:

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 mere fact of expatriation
C. Automatically unfavorable to the taxpayer whenever expatriation occurs, 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 an expatriation matter should generally reflect an understanding that:

A. The covered expatriate determination can carry significant financial consequences warranting careful, thorough analysis
B. Every expatriating taxpayer should automatically be presumed to be a covered expatriate
C. Covered expatriate status never actually warrants any additional documentation beyond a routine matter
D. The IRS is legally prohibited from ever examining any matter involving expatriation

61. A taxpayer's short-term payment plan proposal for a balance owed jointly with a spouse generally should account for:

A. Only the spouse whose name happens to appear first on the underlying joint tax return

B. Only the higher-earning spouse's individual income, excluding the other spouse's income entirely

C. Only the lower-earning spouse's individual income, excluding the other spouse's income entirely

D. Both spouses' combined income and expenses, since the plan addresses the joint liability owed together

62. A taxpayer's non-streamlined installment agreement request involving a jointly owed balance generally requires:

A. A Collection Information Statement reflecting both spouses' combined financial circumstances

B. Two entirely separate Collection Information Statements, one for each spouse individually

C. No Collection Information Statement at all, since joint liabilities are treated as automatically qualifying

D. Only the statement of whichever spouse the IRS happens to contact first regarding the matter

63. A taxpayer's offer in compromise involving a jointly owed balance where only one spouse submits the offer generally results in:

A. Automatic resolution of the entire joint liability for both spouses regardless of who actually submitted the offer

B. The offer, if accepted, resolving only that submitting spouse's own share of the joint liability

C. Automatic rejection of the offer, since only both spouses submitting jointly is ever permitted

D. No effect whatsoever on either spouse's liability regardless of the offer's ultimate outcome

64. A taxpayer's offer in compromise's RCP calculation for a jointly liable married couple generally considers each spouse's:

A. Only the higher-earning spouse's individual assets and income, excluding the other spouse entirely

B. Only the lower-earning spouse's individual assets and income, excluding the other spouse entirely

C. Proportionate share of jointly held assets and income, consistent with applicable state property law

D. Combined total assets and income divided by the total number of years the couple has been married

65. A lien filed against jointly owned property for a liability owed by only one spouse generally attaches to:

A. The entire property outright, regardless of which specific spouse actually owes the underlying liability

B. Neither spouse's interest at all, since jointly owned property is treated as entirely exempt from any lien

C. That specific liable spouse's own interest in the property, not the entire property outright

D. Only the non-liable spouse's interest, leaving the actually liable spouse's own interest entirely unaffected

66. A levy on a jointly held bank account for a liability owed by only one spouse generally may reach:

A. Only exactly half of the account balance, regardless of the actual ownership or contribution proportions

B. None of the account balance at all, since joint accounts are treated as entirely exempt from any levy

C. Only funds the liable spouse can be shown to have personally and individually deposited

D. The full account balance, subject to the non-liable spouse's ability to claim an interest in specific funds

67. A Currently Not Collectible determination for a jointly owed balance generally requires evaluating:

A. Only the higher-earning spouse's individual ability to pay, excluding the other spouse entirely

B. The combined household's ability to pay, since the underlying liability is owed jointly by both spouses

C. Only the lower-earning spouse's individual ability to pay, excluding the other spouse entirely

D. Only whichever spouse the IRS happens to have most recently corresponded with regarding the matter

68. A taxpayer's CDP hearing request for a jointly owed liability generally may be filed by:

A. Either spouse individually, or both spouses jointly, depending on how the matter is actually structured

B. Only both spouses acting jointly together, with no individual spouse ever permitted to file alone

C. Only the spouse whose name happens to appear first on the underlying joint tax return

D. Only the higher-earning spouse, since that spouse is presumed to bear primary financial responsibility

69. A TFRP assessment against a spouse who was a co-owner of the business but had no actual role in its financial operations generally should be:

A. Accepted without challenge, since any co-owner of a business is automatically responsible regardless of actual role

B. Challenged only on the basis of willfulness, since responsibility is presumed for any co-owner regardless of role

C. Accepted without challenge, since spousal status alone conclusively establishes responsibility regardless of role

D. Challenged on the basis that mere co-ownership alone does not establish the responsibility element required

70. A responsible person's TFRP defense involving a spouse's claim of complete exclusion from business financial decisions generally requires demonstrating:

A. Genuine, credible evidence the spouse was actually excluded from decisions regarding which creditors were paid

B. Only that the spouse personally disliked the other spouse's overall business management approach

C. Only that the spouse held a relatively junior job title within the overall organizational structure

D. Only that the spouse was married to the business's actual owner for a relatively short period

71. A practitioner's Section 7525 privilege claim regarding communications with both spouses jointly present generally requires evaluating whether:

A. Only one spouse was actually present for the entirety of the specific communication at issue

B. Both spouses share a sufficiently common interest such that the presence of both does not itself waive the privilege

C. The communication occurred during the couple's normal business hours specifically
D. The communication was copied to the couple's outside legal counsel as a matter of course

72. A taxpayer's Cohan estimate for a jointly incurred business expense generally may be supported by:

A. Only evidence provided by the higher-earning spouse, excluding the other spouse's own corroboration entirely
B. Only evidence provided by the lower-earning spouse, excluding the other spouse's own corroboration entirely
C. Credible evidence from either spouse corroborating the expense was genuinely incurred for the joint business
D. Only evidence the couple can show was independently verified by a completely unrelated third party

73. A practitioner's review of an RAR's proposed adjustment affecting both spouses on a joint return should generally verify:

A. Only whether the adjustment happens to be presented on a specific numbered page within the report
B. Only the specific order in which the two spouses' names are listed within the report
C. Only whether the total adjustment amount happens to be an even or odd number
D. Whether the adjustment's characterization as joint or separate liability is actually correct under applicable rules

74. A taxpayer's response to a 30-day letter for a joint return should generally clarify whether the response is being submitted:

A. Only in a specific font the practitioner personally prefers for formal correspondence generally
B. Only on a specific day of the week the practitioner considers most convenient
C. On behalf of both spouses jointly or only one spouse individually, given potential differing interests
D. Only using a specific brand of paper the practitioner's firm typically uses for correspondence

75. A CP-2000 notice addressed to both spouses on a joint return should generally be responded to by:

A. Only the higher-earning spouse, since that spouse is presumed to bear primary financial responsibility
B. Both spouses jointly, or one spouse with appropriate authorization to act on the other's behalf
C. Only the lower-earning spouse, since that spouse is presumed to have less at financial stake
D. Neither spouse specifically, since joint notices are treated as requiring no response from either party

76. A taxpayer's Tax Court petition contesting a joint notice of deficiency generally should be filed by:

A. Both spouses jointly, or each spouse individually if their interests have diverged
B. Only the spouse whose name happens to appear first on the underlying joint tax return
C. Only the higher-earning spouse, since that spouse is presumed to bear primary financial responsibility
D. Only both spouses acting jointly, with no individual spouse ever permitted to file separately

77. A taxpayer's Appeals conference for a joint matter where the spouses' interests have diverged should generally be prepared with attention to:

A. Only which spouse the practitioner personally finds more cooperative to work with during preparation
B. Only which spouse happens to be available on the specific date the conference is ultimately scheduled
C. Only which spouse's proposed position the practitioner personally believes is more likely correct
D. Whether continued joint representation remains appropriate given the genuinely diverging interests

78. A taxpayer's decision to accept an Appeals settlement for a joint matter where only one spouse ultimately signs generally results in:

A. Automatic binding of both spouses regardless of which spouse actually signed the settlement documents
B. The settlement binding only the signing spouse, absent the other spouse's own separate agreement
C. Automatic invalidation of the entire settlement, since both spouses must always sign together
D. No effect whatsoever on either spouse's liability regardless of the settlement's actual terms

79. A taxpayer's small tax case election for a joint matter generally requires:

A. Both spouses' agreement to the election, where both remain parties to the underlying petition

B. Only one spouse's individual agreement, regardless of whether the other spouse remains a party

C. No agreement from either spouse specifically, since the election is treated as automatic for joint matters

D. A separate court order specifically authorizing the joint election to be made

80. A taxpayer's formal written protest for a joint matter where the spouses' positions differ on a specific issue should generally:

A. Present only a single unified position, disregarding whatever distinct position either spouse individually holds

B. Require filing an entirely separate protest document for each individual spouse regardless of any actual divergence

C. Clearly identify each spouse's distinct position on that specific issue where the positions genuinely differ

D. Omit any mention of the differing positions entirely to avoid complicating the protest's presentation

81. A taxpayer's Appeals settlement for a joint matter involving differing spousal positions should generally be documented to specify:

A. Only the Appeals Officer's own general personal philosophy regarding joint returns generally

B. How the settlement resolves each spouse's distinct position on the issues where they genuinely diverged

C. Only the specific date the joint return giving rise to the matter was originally filed

D. Only the couple's general overall satisfaction with how the joint matter was ultimately resolved

82. A taxpayer's decision to pursue Post-Appeals Mediation for a joint matter with diverging spousal interests should generally weigh whether:

A. The specific mediator happens to share either spouse's own general political views

B. Mediation sessions are scheduled on a specific day of the week either spouse personally prefers

C. The practitioner has previously used mediation in an entirely unrelated prior single-taxpayer matter
D. A neutral mediator could genuinely help address the remaining issues given the spouses' now-diverging interests

83. A taxpayer's Appeals conference outcome for a joint matter resulting in different treatment for each spouse 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 spouse's own distinct position
D. Proof the original examiner who proposed the adjustment acted with genuine bad faith throughout

84. A practitioner's overall approach to representing spouses whose interests may diverge in a joint tax matter should generally reflect an understanding that:

A. Continued joint representation requires ongoing evaluation as the matter develops and interests potentially shift
B. Joint representation, once begun, must automatically continue unchanged regardless of any subsequent developments
C. Only the higher-earning spouse's interests genuinely matter throughout the entire representation
D. Spousal interests can never actually diverge in a joint tax matter under any circumstances whatsoever

85. A preparer's software calculation for a joint return with complex income splitting should generally still involve manual review of:

A. Only the federal portion, since state-level allocation is treated as automatically reliable
B. No portion of the return at all, since joint-return software is treated as inherently more accurate
C. How specific items were actually allocated between the spouses for consistency with the underlying facts
D. Only the client's name and address fields, with no substantive calculation review needed

86. A preparer's discovery of a duplicate entry affecting a joint return's combined income calculation illustrates the importance of reviewing:

A. Only the specific software version number used to prepare the particular joint return
B. Each spouse's individual income sources separately before combining them into the joint total
C. Only the couple's stated preference for which spouse's name appears first on the return
D. Only the total number of income sources reported across both spouses combined

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

A. The joint return as a single unit, not separately to each spouse's individual portion of the filing
B. Each spouse's individual portion separately, requiring entirely separate recordkeeping for each spouse
C. Only the higher-earning spouse's portion, with no obligation extending to the other spouse's portion
D. Only the lower-earning spouse's portion, with no obligation extending to the other spouse's portion

88. A preparer's data security obligations for a joint return's records should generally treat both spouses':

A. Information with entirely different protection levels based on which spouse earns more income
B. Information as exempt from any security obligation whatsoever if the couple is jointly filing
C. Information as requiring protection only if one specific spouse formally requests it in writing
D. Information with the same level of protection, since both are clients whose information the preparer holds

89. An IRS e-file Application's approval process generally treats a preparer's joint-return volume as:

A. Two entirely separate returns, one for each spouse individually, for covered-return counting purposes
B. A single return for covered-return counting purposes, not two separate returns for each spouse
C. Irrelevant entirely to any covered-return counting purposes whatsoever
D. Countable only if the couple's combined income exceeds a specific threshold amount

90. A firm's e-file Provider status information should generally reflect accurate volume counting for joint returns to:

A. Ensure the specified tax return preparer threshold determination is calculated correctly
B. Satisfy a purely arbitrary IRS preference unrelated to any actual substantive purpose
C. Allow the IRS to calculate the couple's own applicable joint tax liability more precisely
D. Determine which specific spouse should be listed as the primary taxpayer on the return

91. A preparer's covered-return volume determination generally treats a joint return prepared for a divorcing couple's final joint year as:

A. Two separate covered returns, given the couple's now-changed marital circumstances following the divorce
B. Not a covered return at all, given the couple's pending or completed divorce proceeding
C. A covered return only if both spouses separately and individually request e-filing in writing
D. A single covered return, consistent with the general treatment of joint returns for counting purposes

92. A preparer's Form 8948 for a joint return involving one spouse's specific paper-filing exception should generally reference:

A. Only the exception as applicable exclusively to the specific spouse who actually raised it
B. Only the preparer's own general opinion regarding electronic filing for joint returns generally
C. The specific exception applicable, since the exception may apply to the return as a whole even if raised by one spouse
D. Only the specific software the preparer would have otherwise used for the joint e-filing

93. A preparer's Form 8944 hardship waiver request covering a client base that includes joint filers generally addresses the mandate as it applies to:

A. Only individual filers, with joint returns entirely excluded from the scope of the waiver request
B. Only joint filers specifically, with individual returns entirely excluded from the scope of the waiver request

C. Neither individual nor joint filers, since Form 8944 addresses an entirely unrelated matter
D. The preparer's overall covered-return volume, which includes joint returns counted as single returns

94. A taxpayer's Form 8879 authorization for a joint return generally requires:

A. Only one spouse's signature, since either spouse alone is treated as sufficient for a joint filing
B. Both spouses' signatures, since both are jointly authorizing the electronic filing of the combined return
C. No signature from either spouse, since joint returns are treated as exempt from this requirement
D. A notarized signature from at least one spouse, though the other spouse's signature remains optional

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

A. Two entirely separate retention periods, one specifically for each spouse's individual signature
B. No retention obligation at all for the portions relating specifically to the second spouse's signature
C. The single authorization form bearing both spouses' signatures, consistent with standard federal retention rules
D. A retention period twice as long as the standard period, given the joint-filing complexity involved

96. A preparer's confirmation of Form 8453 requirements for a joint return involving one spouse's specific attachment should generally include checking:

A. Whether the specific attachment relates to an item on the joint return requiring separate transmittal
B. Only whether the attachment relates specifically and exclusively to the higher-earning spouse's income
C. Only whether the attachment relates specifically and exclusively to the lower-earning spouse's income
D. Only whether the attachment happens to be printed on a specific color or weight of paper

97. A rejected joint return's correction should generally address whether the rejection originated from data relating to:

A. Only the higher-earning spouse's information, since state systems presume that spouse's data controls rejections
B. Only the lower-earning spouse's information, since state systems presume that spouse's data controls rejections
C. Either spouse's specific information, since an error affecting either spouse could cause the joint rejection
D. Neither spouse's information specifically, since joint-return rejections are treated as always unrelated to either spouse's data

98. A preparer's overall response protocol for an identity theft rejection affecting one spouse on a joint return should generally address:

A. The affected spouse's specific identity theft resolution process while confirming the other spouse's information remains unaffected
B. Both spouses' information as though both were equally affected, regardless of which spouse's data actually triggered the rejection
C. Only the higher-earning spouse's situation, regardless of which spouse's information actually triggered the identity theft rejection
D. Neither spouse's situation specifically, since joint-return identity theft rejections are treated as requiring no differentiated response

99. A preparer's overall e-file compliance program should generally include staff training on properly handling joint-return authorization scenarios, including:

A. Only scenarios where both spouses are readily available and cooperative at the same time
B. Only scenarios involving the firm's own internal billing procedures for joint-return clients
C. Only scenarios involving the firm's own internal holiday scheduling for staff members
D. Situations where one spouse is unavailable to sign and the applicable procedures for addressing that circumstance

100. An e-file Provider's overall commitment to compliance for joint-return filings ultimately reflects a recognition that:

A. Only the higher-earning spouse's interests in the filing genuinely deserve the Provider's attention

B. Both spouses' interests in an accurate, properly authorized filing deserve equal, genuine attention

C. Only the lower-earning spouse's interests in the filing genuinely deserve the Provider's attention

D. Joint filings carry no meaningfully different compliance considerations from an individual filing

Practice Exam 16: Answer Key and Explanations

1. A — A—This staggered assignment spreads the IRS's overall renewal processing workload across different periods throughout the year, rather than concentrating all renewals at once. Practitioners are not subject to different substantive education requirements based on this digit, do not pay different fees based on it, and are not evaluated under different conduct standards.

2. D — D—Ethics hours earned beyond the specific minimum are permitted to count toward the separate general continuing education requirement as well, without further restriction. This is not prohibited, does not require specific separate OPR approval to count toward the general requirement, and does not disqualify the practitioner from other properly earned hours.

3. C — C—Failing to maintain a valid PTIN results in an inability to lawfully prepare returns for compensation, a distinct requirement from the separate underlying enrollment status itself. This does not result in automatic disbarment, is not consequence-free since a PTIN is a genuine mandatory requirement, and does not automatically convert enrollment status to inactive.

4. B — B—A practitioner facing a formal complaint generally has the opportunity to respond to the allegations and request a hearing before an Administrative Law Judge. The practitioner cannot personally select the presiding judge, cannot secure automatic dismissal simply by requesting it, and cannot compel disclosure of a confidential source's identity as a matter of right.

5. D — D—Due diligence requires a reasonable inquiry into whether the claimed amount and applicable eligibility requirements are genuinely satisfied for this specific deduction claimed. Direct insurance carrier 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—Section 10.34 may be satisfied even where the practitioner does not personally conduct independent research, provided a reasonable basis exists for relying on the identified substantial authority. It is not satisfied where the client is not informed of examination risk, where the practitioner knows the position is inaccurate, or an unconscionable fee is charged.

7. A — A—A contingent fee remains permitted as to the examination itself but is not permitted as to the newly involved unrelated original return for a different year. This is not permitted in its entirety for both, is not prohibited in its entirety for both, and separate written consent does not itself cure the underlying prohibition on the original return portion.

8. C — C—Reasonableness is evaluated based on whether the flat rate reasonably approximates the value of services genuinely expected across similar matters of that type. Whether the flat rate happens to be lower than hourly billing would have produced, whether the client negotiated it, and the specific labeling used are not themselves determinative of this reasonableness inquiry.

9. D — D—An unsubstantiated superlative claim like "leads the industry" is potentially misleading unless the practitioner can actually substantiate that specific claim with genuine supporting evidence. Superlative language is not categorically exempt from scrutiny, does not require every competitor's agreement, and is not automatically dismissed as harmless puffery under Circular 230's advertising standards.

10. B — B—This analysis evaluates whether the passive investment, regardless of its size, could reasonably be perceived as affecting the practitioner's independent judgment in the matter. The investment's dollar amount in isolation, whether the practitioner has visited the business's location, and whether the investment is publicly disclosed are not themselves the substantive factors this analysis turns on.

11. A — A—Proper documentation should address whether the practitioner has disclosed the specific nature and extent of the investment interest to the affected client involved. The practitioner's own opinion of the business's financial prospects, the specific original purchase price paid, and unspecified future sale intentions are not themselves this required documentation content.

12. D — D—Sound procedures establish a consistent intake process that genuinely flags matters warranting heightened scrutiny before the firm formally accepts the engagement. Relying exclusively on individual staff intuition with no consistent process, accepting every matter automatically with no screening, and deferring evaluation until after the engagement begins are all inadequate approaches.

13. C — C—This violation requires the false statement to have been made in connection with a matter before the Department of the Treasury, which includes but is not strictly limited to the IRS. It is not limited to only formal notarized written documents, is not limited to matters already in active Tax Court litigation, and carries no minimum dollar threshold requirement.

14. B — B—This obligation requires correcting a predecessor's materially inaccurate representation where the current practitioner actually discovers the inaccuracy while continuing to represent the same client. It does not require correction absent genuine knowledge of the inaccuracy, absent ever reviewing the predecessor's work, or once representation of that client has already terminated.

15. A — A—An opinion relying on client-represented facts despite the practitioner's own genuine doubt is inconsistent with the good-faith reliance standard, since reliance is unreasonable where genuine doubt actually exists. This is not fully consistent with the standard regardless of doubt, is not irrelevant to Circular 230, and does not require independently verifying every fact absent genuine doubt.

16. C — C—Competence here requires sufficient understanding of how state and federal treatment genuinely interact, or appropriate referral to a practitioner with relevant state-specific expertise available. Automatic acceptance regardless of actual familiarity, automatic decline foreclosing development, and sole reliance on the client's own understanding are all inappropriate responses to this specific competence gap.

17. A — A—An average outcome claim should be based on a genuinely representative sample of actual client matters, not a cherry-picked subset that would misleadingly inflate the figure. Basing it on the single most favorable outcome ever achieved, presenting it with no supporting basis, and categorically omitting all average claims are all inappropriate approaches.

18. D — D—A properly scoped request reasonably relates to a matter the IRS is actually authorized to examine or investigate, the core relevance requirement for this obligation. The request need not cite the specific authorizing regulation by name, need not be limited to records from the current calendar year, and need not use a specific designated form.

19. C — C—Failing to identify clearly applicable Retirement Savings Contribution Credit eligibility may reflect a genuine shortfall in the competence and diligence standards Circular 230 expects. 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. B — B—Reevaluation is warranted because the newly added party's interests may genuinely diverge from the originally represented client's own interests in ways not previously present. There is no specific regulatory mandate for an entirely new engagement letter, adding a party does not automatically terminate the engagement, and clients do not automatically demand a fresh memo.

21. C — C—This violation is treated with particular seriousness because it involves a direct breach of the fiduciary trust clients genuinely place in a practitioner handling their financial matters. This is not unconnected to the practitioner's tax practice, does carry serious implications for the client's financial welfare, and is genuinely addressed and regulated under Circular 230.

22. B — B—Confidentiality generally does not excuse a practitioner from complying with a valid, properly authorized subpoena genuinely compelling disclosure of the specific information actually sought. The practitioner is not excused from declining unauthorized disclosure to unrelated third parties, from avoiding public discussion where others could overhear, or from maintaining reasonable safeguards.

23. A — A—Declining representation of a position reasonably believed to cross into criminal territory is an appropriate exercise of professional judgment consistent with Circular 230's overall standards. There is no implied duty to pursue any position regardless of criminal implications, this decision carries genuine professional significance, and no prior prosecutorial determination is required to properly decline.

24. D — D—This accuracy obligation extends broadly to both the taxpayer's actual financial information provided in the offer submission and any characterization of that information the practitioner actually offers. It is not limited only to financial information, is not limited only to characterization, and is not limited only to purely numerical calculations.

25. C — C—A Circular 230 suspension generally does not itself prevent the practitioner from continuing to serve on a professional association board entirely unrelated to actual IRS practice specifically. It does prevent practicing before the IRS during the suspension, including representing taxpayers in examinations and at Appeals conferences during that same period.

26. D — D—A disputed monetary penalty may generally be challenged through the same administrative and, where applicable, judicial review procedures available for other Circular 230 sanctions. It is not entirely final and unreviewable, is not challenged through private arbitration outside governmental process, and is not challenged through an informal direct appeal to the handling attorney.

27. A — A—A proper reinstatement petition should address the practitioner's genuine understanding of why the original conduct violated Circular 230 and the concrete steps taken to prevent recurrence. A general assertion that time has passed, the practitioner's current financial need, and a personal opinion about the original disbarment's fairness are not themselves the substantive content this petition requires.

28. B — B—This disclosure obligation does not require disclosing the conflict to the IRS itself, since the obligation runs specifically to the affected clients, not the government. It does require disclosing the conflict's material facts to each affected client, explaining how representation might be affected, and obtaining each client's informed written consent.

29. B — B—A sound approach includes evaluating whether the business partner's own interests could genuinely diverge from the client's own interests in the specific matter being handled. Assuming business partnerships automatically eliminate conflict, skipping the check entirely, and relying exclusively on the partners' own internal assurance are all inadequate approaches to this necessary check.

30. C — C—These obligations reflect the recognition that the IRS itself often genuinely lacks the practical capacity to personally guide every taxpayer through compliance complexities without practitioner assistance. This is not about the IRS's ability to collect revenue, process returns, or enforce tax law generally, all of which the IRS can do independent of practitioners.

31. A — A—This commitment serves the broader public interest by fostering genuine confidence that practitioners representing taxpayers meet defined standards of competence and integrity. It does not guarantee every taxpayer an identical outcome, does not eliminate the need for IRS examinations of practitioner-prepared returns, and does not guarantee practitioners will never make any error.

32. D — A—Listing the CAF number always allows the IRS to properly link the new authorization to that representative's existing centralized authorization file record on file. This is not a purely arbitrary formatting preference, is unrelated to calculating any continuing education fee, and does not itself determine which office processes the authorization.

33. C — C—The tax period should be specified in a format that clearly identifies the specific year or a defined range, avoiding open-ended or genuinely ambiguous language. It is not specified using the signing date, is not specified by referencing the handling IRS office, and does not require repeating the taxpayer's Social Security number a second time.

34. D — D—The authorization always becomes ineffective as to that specific representative upon a genuine suspension or disbarment from practice under a Circular 230 disciplinary action actually taken. A simple address change, a brief scheduled vacation, and a routine enrollment renewal do not themselves render the authorization ineffective as to that representative.

35. A — A—The taxpayer's routine annual filing of subsequent years' returns, with no other connection to the specific matter, is not itself a recognized tolling event affecting the assessment statute. A pending offer in compromise, active Tax Court litigation, and a continuous six-month-plus absence from the United States are all genuinely recognized tolling events.

36. B — B—The extension should be evaluated against whether it provides sufficient time to fully develop the facts and legal analysis genuinely necessary to appropriately resolve the matter. It is not evaluated against a goal of mere indefinite delay, is not about facilitating a preparer change, and is not about facilitating reassignment to a different examining agent.

37. A — A—The practitioner should evaluate the position under the currently modified guidance, not rely exclusively on the original, now partially superseded ruling alone anymore. Continuing to rely only on the original ruling, disregarding both rulings entirely, and automatically concluding frivolousness merely due to modification all misstate the proper genuinely current approach.

38. D — D—Support from a genuine majority of federal courts addressing the issue reflects strong authoritative weight, though not necessarily binding in every circuit until the taxpayer's own circuit actually rules. This is not without meaningful support, is not weaker than an informal FAQ, and is not automatically binding nationwide regardless of the taxpayer's own jurisdiction.

39. C — C—A proper Form 8275 disclosure includes a statement of the relevant facts and the specific tax treatment actually applied, allowing the IRS to genuinely evaluate the position. The taxpayer's own opinion about eventual IRS acceptance, a vague unspecified general statement, and a guarantee of withstanding challenge are not themselves the required content of this specific disclosure.

40. B — B—A transparent, well-documented position later found incorrect generally results in at most a civil adjustment and possibly interest, absent any evidence of fraud or willful evasion. This does not trigger automatic criminal prosecution, is not entirely without consequence, and does not mandate automatic criminal referral absent genuine evidence of fraud or evasion.

41. A — A—Case Advocacy addresses a specific individual taxpayer's particular circumstances and hardship, distinct from Systemic Advocacy's broader focus on IRS-wide process or policy issues generally. It is not limited to issues affecting multiple taxpayers simultaneously, is not limited to matters already in Tax Court, and carries no minimum dollar threshold requirement.

42. B — B—A TAO generally requires demonstrating normal administrative channels have been attempted without success, or that attempting them would itself genuinely cause additional hardship. It does not require that channels were never attempted at all, does not require channels be entirely unavailable, and does not require channels would guarantee a more favorable outcome than a TAO.

43. C — C—An EA's unlimited practice rights extend to a denial of innocent spouse relief, 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.

44. D — D—A proper preliminary assessment confirms whether the taxpayer genuinely qualifies as a covered expatriate and the applicable exit tax implications that may result. The specific relocation destination country, the taxpayer's opinion of U.S. tax policy, and the passport's original issuance date are not themselves the substantive factors this assessment should focus on.

45. C — C—A thorough conflict check should extend to whether the remaining family members' own separate tax interests could genuinely diverge from the expatriating taxpayer's own interests. The family members' formal legal names alone, their specific state of residence, and years lived in the United States are not themselves sufficient without this broader interest-focused inquiry.

46. D — A—This transcript generally reflects the specific exit tax assessment as separate and distinct from the taxpayer's ordinary income tax liability for that particular year. It does not treat the exit tax and ordinary liability as entirely undistinguished, is not unrelated to any actual IRS action, and is not itself a penalty for the choice to expatriate.

47. A — A—A proper analysis accounts for the taxpayer's net worth, average annual net income tax liability over the relevant period, and tax compliance certification, the three statutory tests. The taxpayer's own preference, the specific relocation destination, and age alone are not themselves the correct basis for this specific covered expatriate status determination.

48. B — D—This claim should address whether the other spouse's expatriation genuinely affects the practical ability to collect from or communicate with that spouse regarding the matter at hand. The requesting spouse's opinion of the expatriation decision, total years married, and current occupation are not themselves the primary consideration this specific interaction requires.

49. C — C—Proper documentation should always very carefully and quite thoroughly address the compliance test's actual consideration of whether all five preceding years' federal tax obligations have genuinely been satisfied. Wedding venue choice, shared home decor taste, and vacation preferences are not themselves the substantive factors this specific compliance-focused test actually considers.

50. A — A—A sound assessment weighs whether the expatriation itself was genuinely undertaken to conceal assets or evade an existing tax liability, the substantive concern such timing can raise. The specific relocation country, the client's general demeanor at one meeting, and the current asset value alone are not themselves the substantive factors this assessment should focus on.

51. D — D—A practitioner should generally always very carefully and quite thoroughly avoid advising the client to simply proceed with expatriation without ever first addressing any underlying tax compliance issues. Advising consultation with experienced expatriation counsel, documenting referral reasoning, and continuing unrelated civil matters within competence are all appropriate, recommended responses instead.

52. B — B—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 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.

53. A — A—Proper documentation should include actual calculations supporting the taxpayer's genuine net worth and average income tax liability figures actually used in the analysis. A bare general assertion of net worth with no calculation, the destination's cost of living information, and the taxpayer's opinion of the regime's fairness are not themselves this required substantive documentation.

54. D — A—A proper case assessment distinguishes between assets subject to the general mark-to-market exit tax regime and assets subject to separate specific rules, such as deferred compensation. An arbitrary unrelated acquisition date, the specific state of asset location, and mere naming convention are not themselves meaningful distinctions this assessment should draw.

55. C — A—Case-building for genuinely complex asset valuations should include obtaining or reviewing credible, well-supported valuations for each significant asset category actually involved in the matter. Relying only on narrative with no valuation, simply accepting the taxpayer's proposed figures without review, and avoiding valuation entirely all fail to properly address this complexity.

56. B — B—A thorough preliminary assessment should always carefully include documenting the specific expatriation date and its genuine implications for the applicable tax year and exit tax calculation involved. A fee-only documentation, a software-only documentation, and a general satisfaction-only documentation all fail to capture this substantive, expected content the assessment should include.

57. D — D—Case-building for a claimed exception should document the specific evidence supporting that claim, such as documentation establishing genuine dual-citizenship-from-birth status recognized. The taxpayer's own subjective belief alone, merely the total tax amount at issue, and merely the citizenship or residency start 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 this genuinely complex international matter. Immediately committing to a strategy before fact development, avoiding the complex matter 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 the determination is actually supported by the facts genuinely developed, not simply assumed favorable or unfavorable based on the mere fact of expatriation. 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. A — A—This philosophy should always reflect the understanding that the covered expatriate determination can carry genuinely significant financial consequences warranting careful, thorough analysis of the actual facts. Expatriating taxpayers should not be automatically presumed covered, this determination does warrant additional documentation, and the IRS is not prohibited from examining expatriation matters.

61. D — D—A joint balance's payment plan proposal should account for both spouses' combined income and expenses, since the plan addresses the underlying joint liability owed together. It is not based only on whichever spouse's name appears first, and is not based on excluding either spouse's income individually from the combined analysis.

62. A — A—This request generally requires a Collection Information Statement reflecting both spouses' combined financial circumstances, since the underlying joint liability involves both parties. It does not require two entirely separate statements, is not automatically qualifying with no statement at all, and is not based only on whichever spouse the IRS happens to contact first.

63. B — B—An accepted offer submitted by only one spouse generally resolves only that submitting spouse's own share of the joint liability, not the entire joint balance automatically. It does not automatically resolve the entire liability for both spouses, is not automatically rejected for being submitted individually, and does have a genuine effect on the submitting spouse's liability.

64. C — C—This calculation generally considers each spouse's proportionate share of jointly held assets and income, determined consistent with the applicable state's own property law rules. It is not based only on the higher-earning spouse, is not based only on the lower-earning spouse, and is not calculated by dividing combined figures by years married.

65. C — C—A lien for one spouse's individual liability generally attaches to that specific liable spouse's own interest in the jointly owned property, not the entire property. It does not attach to the entire property regardless of who owes the liability, is not entirely exempt, and does not attach only to the non-liable spouse's interest instead.

66. D — D—A levy on a jointly held account may generally reach the full balance, subject to the non-liable spouse's ability to claim an interest in specific funds within it. It is not automatically limited to exactly half regardless of actual contributions, is not entirely exempt, and is not limited only to funds the liable spouse personally deposited.

67. B — B—A CNC determination for a jointly owed balance generally requires evaluating the combined household's overall ability to pay, since the liability is owed jointly by both spouses. It is not evaluated based only on the higher-earning spouse alone, only the lower-earning spouse alone, or only whichever spouse the IRS most recently contacted.

68. A — A—A CDP hearing request for a jointly owed liability may generally be filed by either spouse individually, or by both spouses jointly, depending on how the specific matter is structured. It is not limited to requiring both spouses to act jointly together, is not limited to whichever spouse appears first, and is not limited to only the higher-earning spouse.

69. D — D—Such an assessment should generally be challenged on the basis that mere co-ownership alone does not establish the genuine responsibility element the TFRP requires. Automatic acceptance based merely on co-ownership status, challenging only on willfulness grounds, and automatic acceptance based on spousal status alone all misstate the proper responsibility-focused analysis.

70. A — A—This defense requires demonstrating genuine, credible evidence the spouse was actually excluded from decisions regarding which creditors of the business got paid instead. Merely disliking the other spouse's management approach, holding a junior title, and a relatively short marriage duration do not themselves establish this genuine exclusion from financial decision-making.

71. B — B—This evaluation considers whether both spouses share a sufficiently common interest such that both being present does not itself waive the otherwise applicable privilege. It does not require only one spouse actually present, does not depend on the timing during normal business hours, and does not require copying outside legal counsel.

72. C — C—A Cohan estimate for a jointly incurred expense may generally be supported by credible evidence from either spouse genuinely corroborating the expense for the joint business. It is not limited to only the higher-earning spouse's evidence, only the lower-earning spouse's evidence, and does not require independent unrelated third-party verification specifically.

73. D — D—A proper review verifies whether the adjustment's characterization as joint or separate liability is actually correct under the applicable rules governing that specific issue. Whether the adjustment is on a specific page, the order the spouses' names are listed, and whether the amount is even or odd are all irrelevant to this genuine substantive verification.

74. C — C—The response should clarify whether it is being submitted on behalf of both spouses jointly or only one spouse individually, given the potential for differing interests. The specific font used, a preferred day of the week, and a specific paper brand are all irrelevant formatting details unrelated to this genuine substantive clarification needed.

75. B — B—A response should generally come from both spouses jointly, or from one spouse with appropriate authorization to act on the other's behalf. It is not limited to only the higher-earning spouse, is not limited to only the lower-earning spouse, and a genuine response is required, not treated as unnecessary for either spouse.

76. A — A—A petition contesting a joint deficiency notice may generally be filed by both spouses jointly, or by each spouse individually where their interests have genuinely diverged. It is not limited to whichever spouse appears first, is not limited to the higher-earning spouse, and individual filing is permitted where interests have diverged.

77. D — D—Preparation should always carefully attend to whether continued joint representation remains appropriate given the genuinely diverging interests the spouses now genuinely present. The practitioner's personal sense of which spouse is more cooperative, mere scheduling availability, and the practitioner's own view of which position seems correct are not the relevant consideration.

78. B — B—A settlement signed by only one spouse generally binds only that signing spouse, absent the other spouse's own separate agreement to the same terms. It does not automatically bind both spouses regardless of who signed, is not automatically invalidated for lacking both signatures, and does have a genuine effect on the signing spouse's own liability.

79. A — A—This election generally requires both spouses' agreement where both remain parties to the underlying petition, since the election affects the proceeding for both. It is not based only on one spouse's individual agreement regardless of the other's status, is not automatic without agreement, and requires no separate court order for the election itself.

80. C — A—A proper protest should always clearly identify each spouse's distinct position on the specific issue where the positions genuinely differ from one another. Presenting only a single unified position disregarding actual divergence, requiring entirely separate protests regardless of actual divergence, and omitting the differing positions entirely are all inappropriate approaches.

81. B — B—Proper documentation should always clearly and specifically specify how the settlement genuinely resolves each spouse's own distinct position on the issues where they diverged and disagreed. The Officer's general philosophy regarding joint returns, merely the original filing date, and the couple's general satisfaction are not themselves this required documentation content.

82. D — D—This decision should always carefully weigh whether a neutral mediator could genuinely help address the remaining issues, given the spouses' now-diverging interests in the matter itself. The mediator's personal political views, a preferred scheduling day, and the practitioner's unrelated prior single-taxpayer mediation experience are not themselves the substantive factors here.

83. C — C—Different treatment for each spouse generally reflects independent hazards-of-litigation assessments genuinely applied separately to each spouse's own distinct position 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. A — A—This approach should always reflect the understanding that continued joint representation requires ongoing evaluation as the matter genuinely develops and interests potentially shift over time and cases. Joint representation is not required to continue unchanged automatically, only the higher-earning spouse's interests do not exclusively matter, and spousal interests genuinely can diverge.

85. C — C—Manual review should focus on how specific items were actually allocated between the spouses, ensuring consistency with the genuine underlying facts of the joint return. Reviewing only the federal portion as automatically reliable, reviewing no portion at all, and reviewing only identifying fields all fail to address this genuine allocation-related risk.

86. B — A—This discovery illustrates the genuine importance of very carefully reviewing each spouse's own individual income sources separately before combining them into the overall joint total. The specific software version, the couple's name-ordering preference, and the total number of income sources are all irrelevant to this genuine substantive individual-source review needed.

87. A — A—This obligation generally applies to the joint return as a single unit, not requiring entirely separate recordkeeping treatment for each individual spouse's own portion. It is not required separately per spouse, does not apply only to the higher-earning spouse's portion, and does not apply only to the lower-earning spouse's portion.

88. D — D—A sound approach treats both spouses' information with the same level of protection, since both are genuinely clients whose information the preparer holds and safeguards. It should not apply entirely different protection levels based on relative income, should not treat joint filing as exempting the information, and should not depend on one spouse specifically requesting protection.

89. B — C—A joint return is treated as a single return for covered-return counting purposes, not counted as two separate returns for each individual spouse. It is not counted as two separate returns, is not irrelevant to counting purposes, and its counting does not depend on the couple's combined income exceeding any specific threshold.

90. A — A—Accurate joint-return volume counting ensures the specified tax return preparer threshold determination governing the e-file mandate is calculated correctly for the firm. This is not a purely arbitrary preference, is unrelated to calculating the couple's own tax liability, and does not itself determine which spouse is listed as primary taxpayer.

91. D — D—This determination treats the couple's final joint-year return as a single covered return, consistent with the general treatment of joint returns for counting purposes generally. It is not counted as two separate returns due to the divorce, is not excluded from counting due to the divorce, and does not require a separate written e-filing request from each spouse.

92. C — C—Form 8948 should reference the specific applicable exception, since the exception may genuinely apply to the joint return as a whole even though raised by only one spouse. It should not be limited to applying only to the spouse who raised it, and should not merely reference general opinion or the software otherwise used.

93. D — D—This request generally addresses the mandate as it applies to the preparer's overall covered-return volume, which genuinely includes joint returns counted as single returns within that total. It is not limited to excluding joint returns, is not limited to excluding individual returns, and genuinely addresses the electronic filing mandate itself.

94. B — B—A joint return's Form 8879 authorization generally requires both spouses' signatures, since both are genuinely jointly authorizing the electronic filing of their combined return. It is not satisfied by only one spouse's signature alone, is not exempt from requiring any signature, and does not require notarization for either spouse's signature.

95. C — C—This retention obligation covers the single authorization form bearing both spouses' signatures, consistent with the standard applicable federal retention rules generally. It does not require two entirely separate retention periods per spouse, does not exempt the second spouse's signature portion from retention, and does not require double the standard period.

96. A — A—This confirmation should include checking whether the specific attachment genuinely relates to an item on the joint return actually requiring separate Form 8453 transmittal. It is not limited to checking only the higher-earning spouse's income items, only the lower-earning spouse's items, and does not depend on the paper's color or weight.

97. C — A—The correction should address whether the rejection originated from either spouse's specific information, since an error affecting either spouse's data could cause the joint rejection. It is not limited to only the higher-earning spouse's data, only the lower-earning spouse's data, and rejections genuinely do relate to one or both spouses' actual data.

98. A — A—A sound protocol should address the affected spouse's specific identity theft resolution process while confirming the other spouse's information genuinely remains unaffected. Treating both spouses as equally affected regardless of the actual trigger, focusing only on the higher-earning spouse regardless of the actual trigger, and providing no differentiated response are all inadequate.

99. D — A—Training should always genuinely and carefully include handling situations where one spouse is unavailable to sign and the applicable procedures for properly addressing that specific circumstance. Training only for the easy cooperative-availability scenario, internal billing procedures, and internal holiday scheduling all fail to prepare staff for this genuinely challenging authorization scenario.

100. B — A—This overall commitment reflects the recognition that both spouses' interests in an accurate, properly authorized filing genuinely deserve equal, careful attention from the Provider. This is not about only the higher-earning spouse's interests, is not about only the lower-earning spouse's interests, and joint filings do carry genuinely distinct compliance considerations.