PRACTICE EXAM 17: 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 active enrollment status generally must be maintained through:

A. Timely renewal completion, including satisfying the applicable continuing education requirement
B. Annual payment of a substantial maintenance fee separate from the standard renewal fee
C. Continuous, uninterrupted practice with no gaps of any kind between individual client matters
D. Personal attendance at a mandatory annual conference hosted by the IRS itself

2. A practitioner's continuing education hours earned through webinar-based programs generally must satisfy:

A. No standards whatsoever, since webinar-based programs are treated as entirely outside any qualifying category
B. A requirement that the webinar be personally hosted by the practitioner's own firm
C. A requirement limiting webinar-based hours to no more than one total hour per full three-year cycle
D. The same IRS-approved provider standards applicable to in-person continuing education programs

3. A practitioner's obligation to notify the IRS of a change in the practitioner's own name, such as following marriage, generally exists to:

A. Satisfy a purely symbolic administrative requirement carrying no genuine practical significance
B. Ensure the practitioner's enrollment record accurately reflects the practitioner's current legal identity
C. Allow the IRS to calculate the practitioner's applicable continuing education fee more precisely

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

4. OPR's authority to place conditions on a practitioner's continued practice, short of full suspension or disbarment, generally reflects:

A. A departure from Circular 230's actual statutory authority, since only binary sanctions are ever permitted
B. An informal practice with no genuine basis in Circular 230's actual regulatory framework
C. A graduated approach allowing sanctions proportionate to the specific violation's actual severity
D. A requirement that the practitioner first admit to every specific allegation made in the matter

5. A practitioner's due diligence obligation regarding a client's claimed student loan interest deduction generally requires:

A. A reasonable inquiry into whether the claimed amount and income limitations are genuinely satisfied
B. Independent verification directly with the specific loan servicer named on the return
C. Automatic disallowance of any deduction claim exceeding a specific fixed dollar amount
D. No inquiry whatsoever, since student loan interest claims are presumed accurate automatically

6. A practitioner's advice regarding a position with substantial authority generally satisfies Section 10.34 even where reasonable minds could genuinely disagree about the position's ultimate correctness because:

A. Section 10.34 applies only to positions with absolute, guaranteed certainty of ultimate success
B. Substantial authority does not require certainty of success, only a genuinely strong likelihood of prevailing
C. Reasonable disagreement among practitioners automatically renders any position frivolous
D. Substantial authority is irrelevant where any disagreement whatsoever exists among practitioners

7. A contingent fee arrangement is generally prohibited for an original return but this prohibition generally does NOT extend to a claim for refund filed in connection with:

A. The taxpayer's own general preference to correct a minor typographical error noticed later
B. A routine update reflecting the taxpayer's changed mailing address on file
C. The taxpayer's desire to switch from itemizing to claiming the standard deduction
D. An audit or examination challenging the taxpayer's original return position

8. A practitioner's fee arrangement disclosed in a written engagement letter that the client later claims they did not fully understand generally should be evaluated based on:

A. Whether the client happened to actually read the entire engagement letter word for word before signing
B. Whether the client possesses a formal legal or accounting background allowing full comprehension
C. Whether the disclosure was genuinely clear and comprehensible to a reasonable client in the same position
D. Whether the specific font size used in the engagement letter met a particular minimum size

9. A practitioner's advertisement stating the firm has "proven results" is generally:

A. Always permitted, since results-based 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 claim with genuine supporting data

10. A practitioner's conflict of interest analysis for representing a taxpayer in a matter where the practitioner's adult child works for the IRS office handling the case generally should evaluate:

A. Only the specific total salary the practitioner's adult child earns at the IRS
B. Whether the family relationship could reasonably be perceived as improperly influencing the matter's handling
C. Only whether the practitioner and the adult child speak regularly on matters unrelated to work
D. Only the specific number of years the adult child has worked at that IRS office

11. A practitioner's written consent documentation for a conflict arising from a family member's IRS employment should generally address the specific:

A. Safeguards in place to prevent any appearance of improper influence on the matter's handling
B. Only the practitioner's own personal opinion of how successful the family member's career has been
C. Only the specific total dollar amount the client's matter involves in dispute
D. Only whether the family member has ever personally worked on any similar matter before

12. A firm's Section 10.36 procedures should generally address how the firm handles a matter involving a client's relative working at the IRS by:

A. Automatically declining every such matter regardless of the actual specific circumstances involved
B. Automatically accepting every such matter with no evaluation of any kind conducted
C. Requiring disclosure of the relationship and evaluation of whether it presents a genuine conflict
D. Delegating the entire matter automatically to a completely different, unrelated firm

13. A practitioner's Section 10.51(a)(4) violation for false statements is generally distinguishable from a legitimate difference of professional opinion in that the violation requires:

A. No showing of falsity whatsoever, since any disputed statement automatically qualifies as this violation
B. A showing the statement was actually false, not merely a debatable interpretation the practitioner genuinely held
C. Proof the client also independently agreed the 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 generally requires disclosing to the IRS a material change in circumstances that occurs:

A. Only if the change occurs during a scheduled examination interview specifically, and at no other time
B. Only after the underlying matter has already formally and completely concluded
C. Only if the taxpayer specifically and separately directs the practitioner to make the disclosure

D. After a prior accurate representation was made but before the matter has reached final resolution

15. A practitioner's written tax opinion should generally disclose the specific standard of review or level of confidence the opinion reflects, such as "more likely than not," to:

A. Allow the client to genuinely understand the actual strength of the conclusion being provided
B. Satisfy a purely cosmetic formatting requirement with no genuine substantive purpose
C. Guarantee the client a specific favorable outcome regardless of the disclosed confidence level
D. Eliminate the practitioner's own underlying obligation to conduct genuine, substantive analysis

16. A practitioner's competence obligation regarding a matter involving a genuinely unsettled area of tax law, where courts have reached conflicting conclusions, generally requires:

A. Selecting whichever conflicting court decision happens to be most favorable and presenting it as settled law
B. Declining to address the matter at all until the conflicting authority is eventually resolved
C. Advising the client of the genuine uncertainty and the range of possible outcomes given the conflicting authority
D. Guaranteeing the client a specific favorable outcome despite the genuinely conflicting authority

17. A practitioner's advertising claim regarding the firm's specific credentials should generally distinguish between:

A. Only credentials obtained before versus after a specific arbitrary calendar date
B. Only credentials held by attorneys versus credentials held by any other practitioner type
C. Credentials the firm's individual practitioners actually and currently hold versus general firm experience
D. Only credentials obtained domestically versus credentials obtained through international study

18. A practitioner's Section 10.20 obligation regarding record submission generally does NOT extend to records that:

A. The practitioner actually possesses that were lawfully and properly requested
B. Relate to a matter the IRS is actually authorized to examine or investigate
C. Were created during the course of the practitioner's representation of that specific client
D. Are protected by a genuinely applicable privilege the practitioner or client may properly assert

19. A practitioner's failure to identify a client's eligibility for the Adoption Credit, where the client clearly qualifies, may reflect:

A. An entirely acceptable practice, since practitioners bear no obligation to identify every possible credit
B. A potential shortfall in the competence and diligence Circular 230 expects of practitioners
C. A matter completely outside any Circular 230 concern whatsoever regarding the practitioner's conduct
D. Relevant only if the client can affirmatively prove the practitioner deliberately withheld this information

20. A practitioner's conflict of interest evaluation should generally be repeated where an existing client's matter reveals a previously unknown relationship with an adverse party because:

A. The newly discovered relationship may genuinely affect whether continued representation remains appropriate
B. IRS regulations specifically mandate an entirely new engagement letter for every newly discovered relationship
C. Discovering a new relationship automatically and categorically terminates the pre-existing engagement entirely
D. Clients specifically expect and demand a fresh conflict evaluation memo for every such discovery

21. A practitioner's disreputable conduct violation involving knowingly assisting a client in filing a fraudulent return generally reflects a violation of the practitioner's duty to:

A. Only the individual client, with no broader duty to the tax system implicated whatsoever
B. Only the practitioner's own professional reputation, with no client or system-level duty implicated
C. No genuine duty at all, since Circular 230 does not actually address this specific type of conduct
D. The broader tax system's integrity, not merely a duty owed exclusively to the individual client

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

A. Only formal written documents the client directly and personally provided to the practitioner
B. Any source connected to the representation, including documents, conversations, and independent observations
C. Only verbal conversations occurring during a formally scheduled meeting with the client
D. Only information the client specifically and explicitly labeled as confidential when sharing it

23. A practitioner's decision to decline representing a client whose desired strategy the practitioner reasonably believes would violate the practitioner's own competence limitations is generally:

A. An appropriate exercise of professional judgment consistent with Circular 230's competence standards
B. A violation of an implied duty to pursue any strategy a client explicitly requests regardless of competence
C. Irrelevant to Circular 230, since declining representation carries no professional significance
D. Permitted only if the practitioner first refers the client to a specifically named alternative practitioner

24. A practitioner's obligation regarding accuracy of representations extends to a formal request for a Collection Due Process hearing to the extent the request concerns:

A. Only the factual basis for the hearing request, never any characterization offered
B. Only any characterization offered, never the factual basis for the hearing request
C. Both the factual basis for the hearing request and any characterization of the underlying facts offered
D. Neither category, since accuracy obligations apply only to numerical calculations specifically

25. A practitioner's suspension sanction, once fully served, generally allows the practitioner to resume practice:

A. Only after retaking and passing all three parts of the Special Enrollment Examination again
B. Only after obtaining a formal endorsement from at least three currently practicing Enrolled Agents
C. Only after paying a specific, separately assessed reinstatement fee to OPR
D. Automatically, without requiring a formal reinstatement petition, distinct from the process disbarment requires

26. A practitioner's monetary penalty under Section 10.50 is generally intended to serve a purpose distinct from mere punishment by also:

A. Deterring similar future misconduct by the sanctioned practitioner and by other practitioners generally
B. Generating general federal revenue unrelated to any specific regulatory or deterrent purpose
C. Directly compensating the specific harmed client for any financial loss the client suffered
D. Funding OPR's own internal operating budget for the following fiscal year

27. A practitioner's reinstatement following disbarment generally requires OPR to weigh the practitioner's demonstrated rehabilitation against:

A. Only the practitioner's own personal financial need to resume practicing before the IRS
B. The genuine severity and nature of the original underlying conduct that led to the disbarment
C. Only the specific number of years that have elapsed since the disbarment was originally imposed
D. Only the practitioner's own personal opinion regarding whether the original sanction was fair

28. A practitioner's obligation to disclose a conflict extends to a conflict arising from the practitioner's role as a fiduciary, such as an executor, for a client's estate, requiring the practitioner to generally:

A. Simply resign from the fiduciary role entirely with no disclosure or evaluation ever required
B. Ignore the fiduciary role entirely, since it is treated as unrelated to the tax representation itself
C. Evaluate whether the fiduciary role and the tax representation role could create competing obligations
D. Disclose only to beneficiaries who specifically and independently ask about the practitioner's other roles

29. A practitioner's overall approach to identifying potential conflicts for a matter involving a client the practitioner has represented for many years should generally include:

A. The same systematic conflict check applied to any other matter, regardless of the length of the relationship
B. An assumption that a long-standing client relationship automatically presents no possible conflict of any kind
C. Skipping the conflict check entirely, since long-standing clients are presumed to be already fully vetted
D. Relying exclusively on the practitioner's own general familiarity with the long-standing client's affairs

30. A practitioner's overall professional obligations under Circular 230 exist within a framework that recognizes taxpayers bear the ultimate:

A. No responsibility whatsoever for their own returns once a practitioner has been engaged to assist
B. Responsibility only for the mathematical accuracy of a return, never for its underlying substantive positions
C. Legal responsibility for their own returns, even while relying on qualified professional assistance
D. Responsibility that transfers entirely and completely to the practitioner upon the practitioner's engagement

31. A practitioner's overall commitment to ethical practice under Circular 230 is best understood as an ongoing professional discipline rather than:

A. A discipline requiring any genuine ongoing attention throughout the practitioner's career
B. A discipline connected in any meaningful way to the practitioner's actual daily professional conduct
C. A discipline relevant to how the practitioner actually treats clients and the IRS alike
D. A one-time achievement demonstrated solely at the time of initial enrollment

32. A taxpayer's power of attorney should generally specify the tax form number to:

A. Satisfy a purely arbitrary IRS formatting preference with no substantive purpose whatsoever
B. Clearly define the specific type of matter the representative is actually authorized to handle
C. Allow the IRS to calculate the practitioner's applicable continuing education fee more accurately
D. Determine which specific IRS office will ultimately be assigned to process the authorization

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. Receive copies of notices regarding the specifically covered matters
C. Advocate the taxpayer's position at a scheduled examination interview
D. Waive the taxpayer's right to receive a statutory notice of deficiency absent specific separate authorization

34. A taxpayer's power of attorney generally is treated as revoked as to a prior representative where a new Form 2848 covers:

A. Entirely different matters and periods, automatically revoking the prior authorization regardless of any overlap
B. Any matter whatsoever, since any new Form 2848 automatically revokes every prior authorization on file
C. The same matters and periods, unless the taxpayer specifically attaches the prior authorization to preserve it
D. No matters at all, since a new Form 2848 never has any effect on any prior existing authorization

35. A taxpayer's assessment statute of limitations generally is tolled during a period the taxpayer is:

A. Adjudicated to be financially disabled, unable to manage the taxpayer's own financial affairs
B. Simply traveling domestically within the United States for an extended business trip
C. Working remotely from a different U.S. state than their permanent residence
D. Attending a routine, extended domestic conference unrelated to any tax matter

36. A taxpayer's Form 872-A open-ended consent should generally be monitored by the practitioner to determine whether:

A. The taxpayer's own personal preference for the specific word "open-ended" has changed over time

B. Circumstances have changed such that terminating the consent via Form 872-T would now be advisable

C. A fixed calendar year has elapsed regardless of the matter's actual current status

D. The IRS unilaterally decides to resume the statute's running for administrative convenience

37. A taxpayer's position supported by a formal General Legal Advice Memorandum issued by IRS Chief Counsel generally reflects:

A. A guarantee the taxpayer's identical position will ultimately succeed if formally challenged

B. No relevance whatsoever to the taxpayer's own current matter or risk assessment

C. The IRS's own internal legal analysis, a genuinely relevant though not binding factor in the risk assessment

D. Binding law the IRS is legally required to follow in every subsequent, unrelated case

38. A taxpayer's reliance on informal advice obtained from an IRS employee during a telephone call, without any written confirmation, generally provides:

A. Weak support for reasonable cause, given the lack of any documentary evidence of the actual advice given

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 through Form 8275-R generally serves to distinguish the taxpayer from evasion by:

A. Guaranteeing the position will ultimately be sustained despite contradicting the specific regulation

B. Demonstrating the absence of any intent to conceal a position contrary to a Treasury Regulation

C. Eliminating the need for the position to have any reasonable basis whatsoever to support it

D. Automatically triggering a formal Private Letter Ruling request on the taxpayer's behalf

40. A taxpayer's decision to seek a formal ruling before undertaking a significant, novel transaction, rather than proceeding and disclosing afterward, generally reflects:

A. The only legally acceptable approach, since after-the-fact disclosure is treated as categorically insufficient

B. An approach carrying no meaningful practical difference from simply proceeding without seeking any guidance

C. An approach that automatically forecloses the taxpayer's ability to later disclose the position if needed

D. A cautious approach seeking certainty in advance, distinct from but not inherently superior to transparent after-the-fact disclosure

41. The Taxpayer Advocate Service's independence is reflected in the National Taxpayer Advocate's ability to advocate for taxpayer positions even where those positions conflict with:

A. Only positions taken by the specific taxpayer's own representative in the matter

B. Only positions taken by a state's own separate department of revenue

C. Positions taken by other IRS functions handling the same or related matters

D. Only positions taken by a private, non-governmental third party unrelated to the matter

42. A Taxpayer Assistance Order's directive should generally be evaluated by the receiving IRS function against:

A. Only the specific IRS employee's own personal agreement with the underlying substance of the directive

B. Only whether complying would be more administratively convenient for that specific function's workflow

C. Only whether the taxpayer has separately and additionally filed a formal written complaint

D. The TAO's specific terms and any recognized exception the function may properly and legitimately raise

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 accuracy-related penalty or employment tax matters
B. An accuracy-related penalty assessment, in addition to income, employment, and other tax matters
C. Only matters the EA personally prepared the underlying filing for
D. Only matters involving amounts below a specific dollar threshold

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

A. The applicable required minimum distribution rules given the taxpayer's specific beneficiary classification
B. Only the specific bank or financial institution where the inherited IRA is currently held
C. Only the taxpayer's personal opinion regarding the fairness of the decedent's overall estate plan
D. Only the specific date the original account owner opened the underlying IRA account

45. A conflict check's scope for a matter involving multiple beneficiaries of the same inherited IRA should generally extend to:

A. Only the deceased account owner's own formal legal name, with no inquiry into the beneficiaries
B. Only the specific financial institution holding the inherited IRA account
C. Each individual beneficiary, given their potential differing distribution obligations and interests
D. Only the total dollar value of the inherited IRA account at the time of the original owner's death

46. A taxpayer's account transcript entry reflecting an excess accumulation penalty for an inherited IRA generally indicates:

A. The taxpayer failed to take a required minimum distribution in the amount and timing actually required

B. An automatic, complete forgiveness of the inherited IRA's remaining required distributions going forward
C. An entry unrelated to any actual IRS action, requiring no further explanation at all
D. A penalty specifically assessed against the deceased original account owner's own separate estate

47. A practitioner's analysis of an inherited IRA beneficiary's required distribution obligations should generally account for:

A. Only the beneficiary's personal preference for how quickly the account should ultimately be distributed
B. Whether the beneficiary qualifies as an eligible designated beneficiary under the applicable statutory categories
C. Only the specific financial institution holding the inherited IRA account
D. Only the beneficiary's current occupation and specific employer

48. A practitioner's documentation for a beneficiary's claimed reasonable cause for a missed required minimum distribution should generally include:

A. Only the beneficiary's own general assertion that the distribution was simply overlooked, with no further detail
B. Only the specific total dollar amount of the missed distribution
C. Only the specific financial institution holding the inherited IRA account
D. Evidence of the specific circumstances that genuinely prevented the timely distribution, such as a reasonable error

49. A practitioner's early assessment of potential criminal exposure in a matter involving a taxpayer's failure to report an inherited IRA distribution should generally weigh:

A. Only the specific financial institution holding the inherited IRA account
B. Whether the omission reflects deliberate concealment or a genuine, good-faith oversight in reporting
C. Only the client's overall general demeanor during a single initial consultation meeting
D. Only the specific total dollar amount of the distribution that was not reported

50. A practitioner who identifies potential criminal exposure in an inherited IRA reporting matter should generally avoid:

A. Advising the client to consult with counsel experienced in tax controversy 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 amend returns without first considering the full scope of the potential exposure

51. A Kovel arrangement's application to an inherited IRA reporting matter generally requires the accountant's analysis to be:

A. Directed by the attorney and genuinely connected to assisting the attorney's legal advice on the matter
B. Conducted entirely independently of any attorney direction or involvement whatsoever
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 an inherited IRA matter should generally include:

A. Only the beneficiary's own general assertion regarding the distribution with no supporting calculation provided
B. Only the specific financial institution's general marketing materials
C. Calculations supporting the actual required minimum distribution amounts under the applicable rules
D. Only the beneficiary's personal opinion regarding the overall fairness of the required distribution rules

53. A practitioner's overall case assessment for an inherited IRA matter should generally distinguish between:

A. Distributions required under the applicable rules and distributions the beneficiary voluntarily elected to take
B. Only distributions taken before versus after a specific arbitrary calendar date unrelated to the rules

C. Only distributions from one specific financial institution versus distributions from another

D. Only distributions with a round dollar amount versus distributions with a specific odd amount

54. A practitioner's overall case-building strategy for an inherited IRA matter involving multiple accounts should generally include:

A. Only a narrative description with no summary or tracking of any kind provided at all

B. Only the financial institution's own proposed distribution schedule, accepted without any independent review

C. A consolidated summary tracking each account's required distributions and the beneficiary's actual compliance

D. Avoiding any tracking of multiple accounts entirely to prevent inviting additional scrutiny

55. A practitioner's overall preliminary case assessment process for an inherited IRA matter should generally include documenting:

A. Only the practitioner's own personal fee arrangement for handling the specific matter

B. The date of the original account owner's death and its implications for the applicable distribution rules

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

56. A practitioner's case-building work for a matter involving a beneficiary's claimed exception to the standard distribution timeline should generally document:

A. Only the beneficiary's own personal, subjective belief that an exception genuinely applies

B. Only the specific total dollar amount of the inherited account at issue in the matter

C. Only the specific date the beneficiary first learned of the inheritance

D. The specific evidence supporting the claimed exception, such as the beneficiary's status as a minor child

57. A practitioner's overall approach to preliminary case assessment for a genuinely complex inherited IRA matter 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 beneficiary's own proposed strategy with no independent practitioner analysis

58. A practitioner's case-building process for an inherited IRA matter ultimately aims to ensure the beneficiary's compliance position is:

A. Automatically favorable to the beneficiary regardless of what the actual facts developed ultimately show
B. Genuinely supported by the actual facts developed, not assumed based on the mere existence of an inherited account
C. Automatically unfavorable to the beneficiary whenever an inherited account exists, regardless of the actual facts
D. Based primarily on the practitioner's own initial gut impression formed before any fact development occurs

59. A practitioner's overall case-building philosophy for an inherited IRA matter should generally reflect an understanding that the applicable distribution rules:

A. Apply identically to every beneficiary regardless of that beneficiary's specific classification or relationship
B. Never actually warrant any additional documentation beyond what a routine matter would require
C. Are legally prohibited from ever being examined by the IRS under any circumstances whatsoever
D. Can vary significantly based on the beneficiary's specific classification, warranting careful individualized analysis

60. A practitioner's overall case-building approach for a matter involving evolving IRS guidance on inherited IRAs should generally include periodically:

A. Revisiting positions taken in light of subsequently issued guidance that may affect their continued validity

B. Assuming positions taken remain permanently valid regardless of any subsequently issued guidance

C. Declining to revisit any previously taken position under any circumstances whatsoever

D. Relying exclusively on the client's own monitoring of subsequently issued relevant guidance

61. A taxpayer's short-term payment plan proposal supported by documentation of expected upcoming income generally should be evaluated for:

A. Only the taxpayer's personal preference for the specific word "short-term" over other terminology

B. Only the taxpayer's total combined assets regardless of their actual liquidity or availability

C. Whether the anticipated income source is genuinely reliable and likely to materialize as expected

D. Only the taxpayer's overall credit score as reported by a private credit bureau

62. A taxpayer's guaranteed installment agreement is generally structured to fully pay the balance within a period not exceeding:

A. One year, regardless of the specific balance owed or the taxpayer's actual ability to pay faster

B. Seventy-two months, identical to the timeframe generally applicable to a streamlined agreement

C. Ten years, aligned with the general collection statute of limitations period

D. Three years, distinct from the streamlined agreement's typically longer permissible timeframe

63. A taxpayer's offer in compromise based on Doubt as to Collectibility that is rejected due to an RCP calculation dispute generally may be appealed by:

A. Simply resubmitting the identical offer amount with no further explanation or analysis provided

B. Filing Form 13711 within the applicable window, challenging the specific RCP calculation the IRS used

C. Requesting that the taxpayer's original examining agent personally review the specific rejection

D. Filing an entirely new, separate offer in compromise for the identical tax periods involved

64. A taxpayer's periodic-payment offer that is ultimately accepted generally results in the payments made during the review period being:

A. Credited toward the total offered amount, reducing what remains to be paid following acceptance
B. Refunded to the taxpayer in full, since acceptance is treated as restarting the payment obligation entirely
C. Forfeited entirely with no credit given toward the total offered amount at all
D. Held indefinitely in escrow with no application toward either the offer or any refund ever occurring

65. A lien discharge under Section 6325(b)(1) generally applies where the property's remaining value, after other encumbrances, is:

A. At least double the amount of the underlying tax liability plus any other liens on the property
B. Exactly equal to the underlying tax liability, with no additional margin required whatsoever
C. Less than the underlying tax liability, regardless of any other applicable factors
D. Irrelevant entirely, since this specific discharge category applies regardless of the property's remaining value

66. A levy's continuing attachment to a taxpayer's future wages generally continues until:

A. Exactly thirty days have elapsed from the date the levy was originally issued to the employer
B. The IRS issues a release, the underlying liability is satisfied, or another recognized termination event occurs
C. The taxpayer's employer independently decides to discontinue withholding under the levy
D. The taxpayer simply requests the levy be discontinued with no further action required

67. A Currently Not Collectible taxpayer whose financial circumstances genuinely improve should generally be advised by the practitioner to:

A. Say nothing at all and wait for the IRS to independently discover the improved circumstances eventually
B. Assume the improved circumstances are irrelevant until the IRS specifically inquires about the taxpayer's finances
C. Request immediate termination of CNC status regardless of the actual, genuine extent of the improvement
D. Proactively disclose the improved circumstances rather than waiting for the IRS's own periodic review

68. A taxpayer's CDP hearing addressing a proposed levy on Social Security benefits should generally raise the specific issue of:

A. Only the taxpayer's general personal opinion regarding the fairness of Social Security taxation generally
B. Only the specific total number of years the taxpayer has been receiving Social Security benefits
C. Whether the proposed levy would create a genuine economic hardship given the taxpayer's reliance on those benefits
D. Only the specific federal agency responsible for administering the Social Security program generally

69. A TFRP assessment's proposed amount should generally be reviewed by the practitioner to confirm it reflects:

A. The entire employment tax liability owed by the business, including both trust fund and non-trust fund portions
B. Only the trust fund portion of the unpaid employment taxes, not the entire employment tax liability
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 a genuine, documented instruction from a superior not to pay the IRS generally requires demonstrating:

A. The individual genuinely lacked independent authority to override that specific instruction and pay the IRS instead

B. Only that a superior gave the instruction, regardless of the individual's own actual independent authority

C. Only that the individual personally disagreed with the superior's specific instruction at the time

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

71. A practitioner's Section 7525 privilege claim generally applies to advice regarding the tax consequences of a proposed transaction, but generally does NOT apply to advice regarding:

A. The transaction's specific tax reporting requirements once the transaction has actually been undertaken

B. The transaction's potential tax risks if challenged by the IRS during a subsequent examination

C. The transaction's own underlying business or investment merits, as distinguished from its tax implications

D. The transaction's specific tax elections that might be available to the taxpayer

72. A taxpayer's Cohan estimate for a genuinely credible expense supported by partial documentation generally should reflect:

A. The highest conceivable amount regardless of what the partial documentation actually shows

B. An amount identical to what a similarly situated taxpayer might have claimed in an entirely unrelated matter

C. An amount determined solely by the examining agent's own personal preference

D. An amount reasonably calibrated to the available partial documentation, not an unsupported inflated figure

73. A practitioner's review of an RAR's proposed adjustment involving a change in accounting method 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 various adjustments are listed within the report

C. Whether the required Section 481(a) adjustment was properly calculated and appropriately spread over time

D. Only whether the total adjustment amount happens to be an even or odd number

74. A taxpayer's response to a 30-day letter proposing an accounting method change adjustment should generally address whether:

A. The taxpayer simply prefers the prior accounting method for entirely subjective, non-substantive reasons
B. The taxpayer's representative has personally ever encountered a similar accounting method issue before
C. The specific calendar month in which the proposed change would take effect happens to be convenient
D. The proposed change and resulting Section 481(a) adjustment are actually consistent with applicable IRS guidance

75. A CP-2000 notice's proposed adjustment involving a discrepancy in reported retirement account distributions should generally prompt verification against:

A. Only the specific retirement plan administrator's overall general reputation in the industry
B. The taxpayer's actual Form 1099-R documentation and how the distribution was reported on the return
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 proposed adjustment involving an accounting method change should generally identify:

A. The specific basis for disputing the required Section 481(a) adjustment or the change's underlying necessity
B. Only the taxpayer's own general, unsupported opinion regarding accounting principles generally
C. Only the total number of years the taxpayer has used the prior accounting method
D. Only the specific software the taxpayer's bookkeeper originally used to maintain the accounting records

77. A taxpayer's Appeals conference preparation for an accounting method change dispute should generally include:

A. Simply asserting the change is unfair with no supporting analysis of the applicable accounting rules provided
B. Avoiding any discussion of the applicable accounting method rules to prevent inviting additional scrutiny
C. Deferring entirely to the Appeals Officer to independently research the applicable accounting method rules
D. A clear explanation of why the taxpayer's original accounting method was actually proper under applicable rules

78. A taxpayer's decision to accept an Appeals settlement resolving an accounting method dispute should generally be documented to specify:

A. Only the Appeals Officer's own general personal preference regarding accounting methods generally
B. The specific accounting method going forward and any agreed transition adjustment terms
C. Only the specific conference room where the settlement was actually reached
D. Only the taxpayer's general overall satisfaction with how the dispute was ultimately resolved

79. A taxpayer's small tax case election is generally available for an accounting method dispute where the disputed amount:

A. Falls at or below the applicable dollar threshold, regardless of the underlying accounting method complexity
B. Involves any accounting method change whatsoever, since such changes are categorically excluded from this election
C. Requires the taxpayer to first obtain the IRS's own advance consent to elect this simplified procedure
D. Must involve a business entity specifically, since individual taxpayers cannot use accounting methods

80. A taxpayer's formal written protest for an accounting method dispute should generally cite:

A. Only the taxpayer's own general, unsupported opinion regarding which method seems fairer
B. Only a demand that the examiner simply accept the taxpayer's proposed method without question
C. The specific Code section, regulation, or ruling supporting the taxpayer's position on the proper method
D. Only a general assertion that the examiner's proposed adjustment is obviously too large with no further detail

81. A taxpayer's Appeals settlement for an accounting method dispute involving a multi-year transition adjustment should generally be documented to specify:

A. How the transition adjustment will actually be spread across the applicable subsequent tax years
B. Only the Appeals Officer's own general personal philosophy regarding transition adjustments generally
C. Only the specific date the original accounting method was first adopted by the taxpayer
D. Only the taxpayer's general overall satisfaction with how the dispute was ultimately resolved

82. A taxpayer's decision to pursue Post-Appeals Mediation for an accounting method dispute should generally weigh whether:

A. The specific mediator happens to have a personal accounting background unrelated to the dispute
B. Mediation sessions are scheduled on a specific day of the week the taxpayer personally prefers
C. A neutral mediator could genuinely help resolve the specific remaining technical disagreement
D. The taxpayer's representative has previously used mediation in an entirely unrelated prior matter

83. A taxpayer's Appeals conference outcome for an accounting method dispute resulting in a partial concession by the IRS generally reflects:

A. A purely arbitrary split with no genuine underlying analytical basis whatsoever
B. A hazards-of-litigation compromise recognizing genuine technical uncertainty on the specific accounting issue
C. An automatic default rule the IRS applies to every single accounting method dispute
D. A clerical error in properly calculating the correct final resolution amount for the matter

84. A practitioner's overall goal in preparing case-building materials for an accounting method Appeals conference should generally include:

A. Assuming the Appeals Officer will simply accept the taxpayer's method without any independent scrutiny

B. Preparing responses only to challenges the taxpayer's representative personally finds interesting

C. Preparing exclusively for challenges about matters entirely unrelated to the actual accounting method dispute

D. Anticipating challenges to the taxpayer's original method and preparing well-supported technical responses

85. A preparer's software calculation for a return involving a change in accounting method should generally still involve manual review of:

A. The Section 481(a) adjustment's proper calculation and its spread across the applicable periods

B. Only the federal portion, since state-level accounting adjustments are treated as automatically reliable

C. No portion of the return at all, since accounting-method software is treated as inherently more accurate

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 Section 481(a) adjustment illustrates the importance of reviewing:

A. Only the specific software version number used to prepare the particular return

B. How the adjustment was actually calculated and whether the underlying figures were entered only once

C. Only the client's stated preference for which accounting method to ultimately use

D. Only the total number of years over which the adjustment happens to be spread

87. A preparer's Section 6107(b) obligation for a return involving an accounting method change generally applies to:

A. Only the portion of the return unrelated to the accounting method change specifically
B. Only a separate, distinct recordkeeping category maintained apart from the general return records
C. Only if the IRS specifically requests the accounting method documentation be separately retained
D. The return as a whole, including the specific accounting method change documentation supporting it

88. A preparer's data security obligations for records supporting a complex accounting method change should generally reflect:

A. Only whatever security measures happen to be least expensive for the firm to implement generally
B. Only whatever security measures a single, specific competitor firm happens to currently use
C. The genuine sensitivity and complexity of the underlying financial data involved in the calculation
D. No specific evaluation criteria at all, since accounting method records are treated as purely routine

89. An IRS e-file Application's approval generally reflects the IRS's determination that the applicant meets suitability standards regardless of whether the applicant's:

A. Own tax compliance history has actually been reviewed as part of the application process
B. Client base includes taxpayers with genuinely complex returns, such as those involving accounting method changes
C. Background has actually been reviewed as part of the applicable application process
D. Information provided in the application has actually been verified for accuracy

90. A firm's decision to accept clients requiring complex accounting method change filings should generally include evaluating whether the firm has:

A. Simply changed its office coffee supplier with no other change involved
B. Updated its website's visual design with no other substantive change involved
C. Renewed its general liability insurance policy at the exact same coverage terms as before
D. Sufficient internal expertise or access to appropriate resources to competently handle such matters

91. A preparer's covered-return count determination generally does NOT distinguish between:

A. Returns filed for individual taxpayers and returns filed for business entities
B. Returns filed within a specific calendar year and returns filed in an entirely different calendar year
C. Returns involving routine matters and returns involving genuinely complex issues like accounting method changes
D. Returns the preparer actually signed as the paid preparer and returns the preparer did not sign

92. A preparer's Form 8948 for a return involving a client's specific objection related to a complex accounting method issue should generally reference:

A. The specific recognized exception category actually applicable, not the underlying complexity of the accounting issue itself
B. Only the preparer's own general opinion regarding the complexity of accounting method rules generally
C. Only the specific accounting method the taxpayer's return actually reflects
D. Only the preparer's own past filing history with that particular client over prior years

93. A preparer's Form 8944 hardship waiver request should generally NOT be based on:

A. A documented, significant technology failure genuinely preventing electronic filing
B. A documented lack of reliable internet access genuinely preventing electronic filing
C. A documented religious objection genuinely qualifying under the applicable recognized exception
D. The mere complexity of a client's specific return, since complexity alone is not a recognized hardship category

94. A taxpayer's Form 8879 authorization for a return involving a complex accounting method change generally requires the taxpayer to:

A. Review the completed return, including the accounting method change disclosure, before signing the authorization
B. Personally understand every technical detail of the Section 481(a) calculation before signing the authorization
C. Obtain independent verification of the accounting method change from a completely separate practitioner

D. Sign a supplemental form specifically acknowledging the accounting method change's inherent complexity

95. An ERO's Form 8879 retention obligation for a return involving a complex accounting method change generally is:

A. Extended to a longer period specifically because of the accounting method change's underlying complexity

B. Waived entirely for returns involving accounting method changes given their genuinely specialized nature

C. The same standard retention obligation applicable to any other return, regardless of the underlying complexity

D. Subject to a completely separate set of retention rules unique to accounting method change returns specifically

96. A preparer's confirmation of Form 8453 requirements for a return involving an accounting method change application should generally include checking:

A. Only whether the accounting method change happens to be favorable or unfavorable to the taxpayer

B. Whether the specific application form or attachment requires separate transmittal under current instructions

C. Only the specific total dollar amount of the resulting Section 481(a) adjustment

D. Only whether the taxpayer has previously changed accounting methods in any prior tax year

97. A rejected return involving an accounting method change should generally have its correction verified to confirm:

A. The overall total page count of the return remains identical to the original submission

B. The specific font used throughout the return remains unchanged from the original submission

C. The specific error identified in the rejection has been resolved without altering the substantive accounting position taken

D. The taxpayer's stated preference for a specific refund method remains unchanged

98. A preparer's overall response protocol for rejections affecting returns with complex accounting method issues should generally include:

A. Escalation to a more experienced staff member familiar with the specific accounting method rules involved
B. Automatic assignment to whichever staff member happens to be available first, regardless of relevant experience
C. No differentiated protocol at all, since all rejections are treated identically regardless of underlying complexity
D. Automatic resubmission without any review, since accounting method rejections are presumed to be simple errors

99. A preparer's overall e-file compliance program should generally include staff training on recognizing when a return's complexity, such as an accounting method change, warrants:

A. No additional review of any kind, since e-file compliance training is treated as unrelated to substantive accuracy
B. Automatic rejection of the engagement entirely, since complex returns are presumed too risky to prepare
C. Immediate escalation to the IRS itself, bypassing any internal firm review process entirely
D. Additional review before transmission, given the heightened risk of errors in such complex calculations

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

A. Complex returns carry no meaningfully different compliance considerations from a routine, simple filing
B. Genuine accuracy in complex matters requires the same careful compliance attention as any other filing
C. Compliance attention should actually decrease as a return's underlying complexity genuinely increases
D. Only routine, simple filings actually warrant the Provider's genuine compliance attention and focus

Practice Exam 17: Answer Key and Explanations

1. A — A—Active status is generally maintained through timely renewal completion, including satisfying the applicable continuing education requirement for the relevant cycle each time. It does not require a separate substantial maintenance fee, does not require continuous uninterrupted practice with no gaps, and does not require attending a mandatory annual IRS conference.

2. D — D—Webinar-based continuing education must satisfy the same IRS-approved provider standards applicable to in-person programs, since the delivery method itself does not change the underlying requirement. It is not entirely outside any qualifying category, does not require the webinar be firm-hosted, and is not capped at merely one hour across an entire cycle.

3. B — B—This notification obligation exists to ensure the practitioner's enrollment record accurately reflects the practitioner's current legal identity for administrative and disciplinary purposes generally at all times. It is not a purely symbolic requirement lacking genuine significance, is unrelated to calculating any continuing education fee, and is unrelated to state bar registration determinations.

4. C — C—OPR's authority to place conditions reflects a genuinely graduated approach allowing sanctions proportionate to the specific violation's actual severity, rather than only binary outcomes. This is not a departure from actual statutory authority, is not merely informal with no regulatory basis, and does not require admitting to every specific allegation raised.

5. A — A—Due diligence requires a reasonable inquiry into whether the claimed amount and applicable income limitations are genuinely satisfied for this specific deduction claimed. Direct loan servicer 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—Substantial authority does not require any certainty of success, only a genuinely strong likelihood of prevailing, so reasonable disagreement does not itself defeat this standard entirely. Section 10.34 does not require absolute guaranteed certainty, reasonable disagreement does not automatically render a position frivolous, and substantial authority remains relevant despite disagreement.

7. D — D—The recognized exception applies where the refund claim is filed in connection with an audit or examination actually challenging the taxpayer's original return position. A mere preference to correct a typo, a routine address update, and a simple switch to the standard deduction do not themselves trigger this specific recognized contingent fee exception.

8. C — C—This should be evaluated based on whether the disclosure was genuinely clear and comprehensible to a reasonable client in the same general position, an objective standard. Whether the client actually read every word, whether the client has a formal legal or accounting background, and the specific font size are not themselves the primary determinative factors.

9. D — D—An unsubstantiated claim of "proven results" is potentially misleading unless the practitioner can actually substantiate that specific claim with genuine supporting data available. Results-based 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 family relationship could reasonably be perceived as improperly influencing how the matter is actually handled by that specific IRS office. The child's salary amount, general unrelated communication between them, and years worked at that office are not themselves the substantive factors this analysis turns on.

11. A — A—Proper documentation should address the specific safeguards actually in place to prevent any genuine appearance of improper influence on the matter's handling. The practitioner's own opinion of the family member's career success, the disputed dollar amount, and whether the family member previously worked on similar matters are not this required content.

12. C — C—Sound procedures require disclosure of the relationship and a genuine evaluation of whether it actually presents a conflict given the specific circumstances actually involved. Automatically declining every such matter regardless of circumstances, automatically accepting with no evaluation, and automatically delegating to a different firm are all inadequate, overly rigid approaches.

13. B — B—This violation requires a showing the statement was actually false, genuinely distinguishing it from a legitimate, debatable professional interpretation the practitioner honestly held. No showing of falsity at all would improperly sweep in genuine disagreements, the client's own agreement is not required, and no prior separate criminal conviction is required.

14. D — D—This obligation requires disclosing a material change occurring after a prior accurate representation but before the matter reaches final resolution, keeping the record genuinely current. It is not limited to changes occurring only during a scheduled interview, is not limited to after the matter concludes, and does not depend on a specific separate taxpayer direction.

15. A — A—Disclosing the specific confidence level allows the client to genuinely understand the actual strength of the conclusion the opinion is actually providing on the matter. This is not a purely cosmetic formatting requirement, does not guarantee a favorable outcome regardless of the level disclosed, and does not eliminate the underlying analytical obligation itself.

16. C — C—Competence here requires honestly advising the client of the genuine uncertainty and the actual range of possible outcomes given the conflicting authority on the issue. Presenting one favorable decision as settled law, declining to address the matter entirely, and guaranteeing a favorable outcome despite genuine conflict all misstate the appropriately cautious approach.

17. C — C—A proper firm advertisement should always clearly and quite carefully distinguish between credentials individual practitioners actually and currently hold versus more general firm-wide experience, avoiding a misleading blend. An arbitrary date distinction, an attorney-versus-other-type distinction, and a domestic-versus-international distinction are not themselves the relevant distinction this specific claim should draw.

18. D — D—This obligation does not extend to records genuinely protected by an applicable privilege the practitioner or client may properly assert regarding that specific information at issue. The obligation does extend to lawfully requested records actually possessed, records relating to a matter the IRS may examine, and records created during the representation.

19. B — B—Failing to identify clearly applicable Adoption 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 newly discovered relationship may genuinely affect whether continued representation actually remains appropriate under the changed understanding of the facts. There is no specific regulatory mandate for an entirely new engagement letter, discovery does not automatically terminate the engagement, and clients do not automatically demand a fresh memo.

21. D — D—Knowingly assisting in a fraudulent filing violates the practitioner's duty to the broader tax system's integrity, extending well beyond a duty owed exclusively to the individual client. This is not a duty owed only to the client with no system-level implication, is not merely about the practitioner's own reputation, and is genuinely addressed under Circular 230.

22. B — B—Confidentiality applies to information learned through any source connected to the representation, including documents, conversations, and the practitioner's own independent observations actually made. It is not limited to only formal written documents, is not limited to only formally scheduled meeting conversations, and is not limited to only explicitly labeled information.

23. A — A—Declining representation of a strategy reasonably believed to exceed the practitioner's own competence is an appropriate exercise of judgment consistent with Circular 230's competence standards. There is no implied duty to pursue any strategy regardless of competence, this decision carries genuine professional significance, and no specific named referral is required to properly decline.

24. C — C—This accuracy obligation extends to both the factual basis for the hearing request and any characterization of the underlying facts the practitioner actually offers. It is not limited only to factual representations, is not limited only to legal or factual characterization, and is not limited only to purely numerical calculations.

25. D — D—Once fully served, a suspension generally allows automatic resumption of practice without requiring a formal reinstatement petition, distinct from the more extensive disbarment process. It does not require retaking the full SEE, does not require endorsements from other practicing EAs, and does not require a separately assessed reinstatement fee to OPR.

26. A — A—This penalty is generally intended to deter similar future misconduct by the sanctioned practitioner and by other practitioners more broadly, beyond mere punishment for the past act. It is not intended primarily to generate general federal revenue, does not directly compensate the harmed client, and does not fund OPR's own operating budget specifically.

27. B — B—OPR weighs demonstrated rehabilitation against the genuine severity and nature of the original underlying conduct that actually led to the disbarment in the first place. The practitioner's own financial need, mere elapsed years alone, and the practitioner's own opinion about the original sanction's fairness are not themselves this required weighing consideration.

28. C — C—This scenario requires evaluating whether the fiduciary role and the separate tax representation role could genuinely create competing obligations for the practitioner. Simply resigning with no disclosure at all, ignoring the fiduciary role as unrelated, and disclosing only upon a specific beneficiary inquiry all fail to satisfy this proactive disclosure obligation.

29. A — A—A long-standing client's new matter should undergo the same systematic conflict check applied to any other matter, regardless of the length of the existing relationship. Assuming automatic absence of conflict due to relationship length, skipping the check entirely, and relying exclusively on general familiarity are all inadequate approaches to this necessary check.

30. C — C—This framework recognizes taxpayers bear the ultimate legal responsibility for their own returns, even while genuinely relying on qualified professional assistance from a practitioner. Taxpayers do not bear no responsibility once a practitioner is engaged, are not responsible only for mathematical accuracy, and responsibility does not transfer entirely to the practitioner.

31. D — A—This commitment is best understood as an ongoing professional discipline rather than a one-time achievement demonstrated solely at the point of initial enrollment. It does require genuine ongoing attention throughout the practitioner's career, is genuinely connected to daily professional conduct, and is genuinely relevant to how clients and the IRS are treated.

32. B — B—Specifying the tax form number helps clearly define the specific type of matter the representative is actually authorized to handle under this specific authorization. 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. D — D—A standard power of attorney does not authorize waiving the taxpayer's right to receive a statutory notice of deficiency absent specific separate authorization for that heightened activity. It does authorize discussing covered matters with the assigned IRS employee, receiving notice copies, and advocating the taxpayer's position at an examination interview.

34. C — C—A new Form 2848 covering the same matters and periods generally revokes the prior authorization, unless the taxpayer specifically attaches the prior authorization to preserve it. It is not automatic revocation only where the new form covers entirely different matters, is not automatic for every prior authorization regardless of overlap, and does have an effect.

35. A — A—The assessment statute can be tolled where the taxpayer is adjudicated to be financially disabled, genuinely unable to manage the taxpayer's own financial affairs during that period. Domestic business travel, remote work from a different U.S. state, and attending an extended unrelated domestic conference are not recognized tolling events under this specific rule.

36. B — B—The practitioner should monitor whether circumstances have genuinely changed such that terminating the open-ended consent via Form 872-T would now be advisable for the taxpayer. Mere terminology preference, a fixed calendar year regardless of actual status, and unilateral IRS administrative convenience are not themselves the proper basis for this monitoring decision.

37. C — C—Such a memorandum reflects the IRS's own internal legal analysis, a genuinely relevant though not binding factor the practitioner should incorporate into the overall risk assessment. It does not guarantee ultimate success if challenged, is not entirely without relevance to the taxpayer's own matter, and does not constitute binding law the IRS must follow.

38. A — A—Undocumented telephone advice provides genuinely weak support for reasonable cause, given the real lack of any documentary evidence establishing what advice was actually given. This is not absolute unconditional protection regardless of circumstances, is not entirely without any support whatsoever, and is not equivalent in strength to relying on a formal Revenue Ruling.

39. B — B—This transparent disclosure demonstrates the genuine absence of any intent to conceal a position that is actually contrary to a specific Treasury Regulation. It does not guarantee the position will ultimately be sustained, does not eliminate the need for a genuine reasonable basis, and does not automatically trigger a formal PLR request.

40. D — D—Seeking a formal ruling in advance reflects a cautious approach seeking genuine certainty, distinct from but not inherently superior to transparent after-the-fact disclosure through proper channels. It is not the only legally acceptable approach, is not without meaningful practical difference from proceeding without guidance, and does not foreclose later disclosure.

41. C — C—TAS's genuine independence is reflected in the Advocate's ability to advocate for taxpayer positions even where they genuinely conflict with positions taken by other IRS functions handling related matters generally. This is not about conflicts with the taxpayer's own representative, a state revenue department, or an unrelated private third party.

42. D — D—The receiving function should always carefully evaluate the directive against its specific terms and any recognized exception the function may properly and legitimately raise in response. This is not evaluated based on an individual employee's personal agreement, mere administrative convenience, or whether the taxpayer has separately filed an additional complaint.

43. B — B—An EA's unlimited practice rights extend to an accuracy-related penalty assessment, 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. A — A—A proper preliminary assessment confirms the applicable required minimum distribution rules given the taxpayer's specific beneficiary classification under the inherited IRA rules. The specific holding institution, the taxpayer's opinion of the estate plan's fairness, and the account's original opening date are not themselves the substantive factors this assessment should focus on.

45. C — A—A thorough conflict check for this matter should extend to each individual beneficiary, given their genuinely differing potential distribution obligations and interests under the inherited IRA rules. The deceased owner's formal legal name alone, the holding institution, and the account's total value are not themselves sufficient without this broader beneficiary-level inquiry.

46. A — A—This entry generally indicates the taxpayer failed to take a required minimum distribution in the specific amount and timing actually required under the applicable inherited IRA rules. It does not indicate automatic forgiveness of remaining future distributions, is not unrelated to any actual IRS action, and is not assessed against the deceased owner's separate estate.

47. B — B—A proper analysis should always account for whether the beneficiary genuinely qualifies as an eligible designated beneficiary under the applicable statutory categories, since this determines the distribution timeline. The beneficiary's mere personal preference, the holding institution, and the beneficiary's occupation are not themselves the correct basis for this specific determination.

48. D — D—Proper documentation should include evidence of the specific circumstances genuinely preventing timely distribution, such as a reasonable error the beneficiary or advisor made. A bare general assertion of oversight with no detail, merely the missed distribution's dollar amount, and merely the holding institution are not themselves this required substantive documentation.

49. B — B—A sound assessment weighs whether the omission genuinely reflects deliberate concealment or instead a good-faith oversight in the actual reporting of the distribution. The specific holding institution, the client's general demeanor at one meeting, and the total dollar amount alone are not themselves the substantive factors this assessment should focus on.

50. D — D—A practitioner should generally always avoid advising the client to simply amend returns without first considering the genuine full scope of the potential criminal exposure actually identified. Advising consultation with experienced tax controversy counsel, documenting referral reasoning, and continuing unrelated civil matters within competence are all appropriate, recommended responses instead.

51. A — A—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.

52. C — C—Proper documentation should always clearly and genuinely include actual calculations supporting the required minimum distribution amounts under the applicable statutory and regulatory rules involved. A bare general assertion with no calculation, the institution's marketing materials, and the beneficiary's opinion of the rules' fairness are not themselves this required substantive documentation.

53. A — A—A proper case assessment should always carefully distinguish between distributions genuinely required under the applicable rules and distributions the beneficiary voluntarily elected to take beyond that requirement. An arbitrary unrelated date, the specific holding institution, and round versus odd dollar amounts are not themselves meaningful distinctions this assessment should draw.

54. C — A—Case-building for multiple inherited accounts should always clearly include a consolidated summary tracking each account's required distributions and the beneficiary's actual genuine compliance status. Relying only on narrative with no tracking, simply accepting the institution's proposed schedule without review, and avoiding tracking entirely all fail to properly manage this complexity.

55. B — B—A thorough preliminary assessment should always include documenting the date of the original account owner's death and its genuine implications for the applicable distribution rules that follow directly. 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. D — A—Case-building for a claimed exception should document the specific evidence supporting that claim, such as documentation establishing the beneficiary's genuine status as a minor child. The beneficiary's own subjective belief alone, merely the account's total dollar amount, and merely the date of learning of the inheritance are not themselves this required documentation.

57. C — C—A sound approach reflects careful, thorough fact development before committing to a specific strategic approach for this genuinely complex inherited IRA matter. Immediately committing to a strategy before fact development, avoiding the complex matter entirely, and deferring entirely to the beneficiary's own proposed strategy all fail to reflect this necessary careful approach.

58. B — B—The genuine aim is ensuring the compliance position is actually supported by the facts genuinely developed, not simply assumed favorable or unfavorable based on the mere existence of the account. It does not aim for automatically favorable or unfavorable conclusions regardless of facts, and does not rely on an initial unexamined gut impression.

59. D — D—This philosophy should always reflect the understanding that applicable distribution rules can vary significantly based on the beneficiary's specific classification, warranting careful individualized analysis of the facts. The rules do not apply identically to every beneficiary regardless of classification, do warrant additional documentation, and the IRS is not prohibited from examining such matters.

60. A — A—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. C — A—This proposal should be evaluated for whether the anticipated income source is genuinely reliable and likely to materialize as actually expected by the taxpayer. Mere terminology preference, total assets regardless of liquidity, and a private credit score are not themselves the proper substantive basis for this specific type of payment plan evaluation.

62. D — D—A guaranteed agreement is generally structured to fully pay the balance within three years, distinct from the streamlined agreement's typically longer permissible timeframe of up to 72 months. It is not limited to one year, does not share the streamlined agreement's 72-month timeframe, and is not aligned with the ten-year collection statute period.

63. B — B—Such a rejection may generally be appealed by filing Form 13711 within the applicable window, specifically challenging the RCP calculation the IRS actually used in the rejection. Simply resubmitting the identical amount with no further explanation, requesting the original examiner's personal review, and filing an entirely new offer are all less effective approaches.

64. A — A—Payments made during the review period of an accepted periodic-payment offer are credited toward the total offered amount, reducing what genuinely remains to be paid. They are not refunded in full upon acceptance, are not entirely forfeited without credit, and are not held indefinitely in escrow with no application occurring.

65. A — A—This discharge category generally applies where the property's remaining value, after other encumbrances, is at least double the tax liability plus any other liens on the property. It is not limited to exactly equal value with no margin, does not apply where the remaining value is less than the liability, and the remaining value is genuinely relevant here.

66. B — B—A continuous wage levy generally continues until the IRS issues a release, the underlying liability is satisfied, or another genuinely recognized termination event actually occurs. It does not automatically terminate after a fixed thirty days, is not discontinued at the employer's own independent discretion, and does not end merely upon the taxpayer's bare request.

67. D — A—The taxpayer should always generally be advised to proactively disclose genuinely improved circumstances rather than passively waiting for the IRS's own periodic review to eventually occur. Saying nothing while waiting for independent discovery, assuming irrelevance until specifically asked, and requesting immediate blanket termination regardless of extent are all inappropriate approaches.

68. C — C—This hearing should raise the specific issue of whether the proposed levy would create genuine economic hardship, given the taxpayer's actual reliance on those particular benefits. A general opinion about Social Security taxation, the total years receiving benefits, and the administering agency's identity are not themselves the substantive issue this hearing should focus on.

69. B — B—The proposed amount should be reviewed to confirm it reflects only the trust fund portion of the unpaid employment taxes, not the entire employment tax liability owed. It should not reflect the entire liability including non-trust fund portions, should not be a fixed percentage of gross revenue, and should not be left to unconstrained officer discretion.

70. A — A—This defense requires demonstrating the individual genuinely lacked independent authority to override the superior's specific instruction and pay the IRS instead. Merely that a superior gave the instruction regardless of the individual's own authority, mere personal disagreement, and recent hire status do not themselves establish this genuine lack of independent authority.

71. C — C—This privilege does not apply to advice regarding the transaction's own underlying business or investment merits, which is distinct from genuine tax advice the privilege protects. It does apply to advice regarding tax reporting requirements, potential tax risks if challenged, and specific tax elections available, all genuine tax advice categories.

72. D — D—A proper Cohan estimate should reflect an amount reasonably calibrated to the actual available partial documentation, not an unsupported inflated figure disconnected from the evidence. The highest conceivable amount regardless of documentation, an amount based on an unrelated taxpayer's claim, and the examiner's mere personal preference are all inappropriate bases.

73. C — C—A proper review verifies whether the required Section 481(a) adjustment was properly calculated and appropriately spread over the applicable period as required. Whether the adjustment is on a specific page, the listing order, and whether the amount is even or odd are all irrelevant to this genuine substantive accounting method verification.

74. D — D—The response should address whether the proposed change and resulting Section 481(a) adjustment are actually consistent with the applicable IRS guidance governing that accounting method. A mere subjective preference for the prior method, the representative's prior general experience, and the change's convenient effective month are not themselves the substantive issue.

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

76. A — A—A proper petition should identify the specific basis for disputing the required Section 481(a) adjustment or the underlying necessity of the proposed accounting method change itself. A general unsupported opinion on accounting principles, mere years using the prior method, and the bookkeeping software used are not themselves the required substantive content.

77. D — D—Preparation for this dispute should include a clear explanation of why the taxpayer's original accounting method was actually proper under the applicable governing rules. Simply asserting unfairness with no supporting analysis, avoiding discussion of the rules entirely, and deferring entirely to the Officer's own research all fail to properly advocate for the taxpayer.

78. B — B—Proper settlement documentation should always clearly and specifically specify the specific accounting method to be used going forward and any agreed transition adjustment terms reached. The Officer's general personal preference regarding accounting methods, the specific conference room location, and the taxpayer's general satisfaction are not themselves this required documentation content.

79. A — A—The small tax case election is generally available where the disputed amount falls at or below the applicable dollar threshold, regardless of the underlying accounting complexity involved. Accounting method changes are not categorically excluded from this election, no advance IRS consent is required to elect it, and individual taxpayers can also use accounting methods.

80. C — C—A proper protest should cite the specific Code section, regulation, or ruling genuinely supporting the taxpayer's position on the proper accounting method to use. A bare unsupported opinion about fairness, a demand for unquestioning acceptance, and an unsupported general size assertion are all inadequate substitutes for this required legal citation.

81. A — A—Proper documentation should always clearly and quite specifically specify how the actual transition adjustment will genuinely be spread across the applicable subsequent multiple tax years going forward. The Officer's general philosophy regarding transition adjustments, the original adoption date, and the taxpayer's general satisfaction are not themselves this required documentation content.

82. C — C—This decision should always carefully and genuinely weigh whether a neutral mediator could genuinely help resolve the specific remaining technical disagreement over the accounting method issue. The mediator's unrelated personal accounting background, a preferred scheduling day, and the representative's unrelated prior mediation experience are not themselves the substantive factors here.

83. B — B—A partial IRS concession generally reflects a genuine hazards-of-litigation compromise, recognizing real technical uncertainty on the specific accounting issue actually disputed by the parties. It is not a purely arbitrary split lacking analytical basis, is not an automatic default rule applied to every case, and is not itself a clerical calculation error.

84. D — D—Effective preparation should always genuinely include carefully and thoughtfully anticipating challenges to the taxpayer's original accounting method and preparing well-supported technical responses accordingly and thoroughly. Assuming the Officer will accept the method without scrutiny, preparing only for personally interesting challenges, and preparing only for unrelated matters all reflect inadequate preparation.

85. A — A—Manual review should always focus on the Section 481(a) adjustment's proper calculation and its actual spread across the applicable periods required under the rules. Reviewing only the federal portion as automatically reliable, reviewing no portion at all, and reviewing only identifying fields all fail to address this genuine calculation-specific risk.

86. B — B—This discovery always genuinely illustrates the real importance of very carefully reviewing how the adjustment was actually calculated and confirming the figures were entered only once. The specific software version, the client's method preference, and the total spread years are all irrelevant to this genuine substantive single-entry calculation review needed.

87. D — D—This obligation generally applies to the return as a whole, genuinely including the specific accounting method change documentation supporting the position taken. It is not limited to only the unrelated portion, is not maintained as a separate distinct category apart from general records, and applies regardless of a specific separate IRS request.

88. C — C—Reasonable security should always reflect the genuine sensitivity and complexity of the underlying financial data actually involved in this specific type of calculation performed. Choosing the least expensive option regardless of adequacy, simply matching a specific competitor, and having no evaluation criteria at all all fail to reflect genuinely reasonable security.

89. B — B—Approval always genuinely reflects meeting suitability standards regardless of whether the applicant's own client base actually includes taxpayers with genuinely complex returns like accounting method changes involved. Suitability does depend on the applicant's own tax compliance history being reviewed, background being reviewed, and the application information being verified for accuracy.

90. D — D—This decision should always very carefully include evaluating whether the firm genuinely has sufficient internal expertise or access to appropriate resources to competently handle these matters. Changing a coffee supplier, updating website design, and renewing insurance at the same terms are all unrelated changes not themselves addressing this competence-related evaluation.

91. C — A—This determination generally does not distinguish between routine returns and returns involving genuinely complex issues like accounting method changes, treating both as covered returns equally. It does distinguish based on individual versus business entity type in certain contexts, calendar year, and whether the preparer actually signed as the paid preparer.

92. A — A—Form 8948 should always clearly reference the specific recognized exception category actually applicable to the paper filing, not the underlying complexity of the accounting method issue itself. It should not merely reference the preparer's general opinion of accounting complexity, the specific method reflected, or the preparer's unrelated past filing history.

93. D — D—A waiver request should not be based on the mere complexity of a specific client's return, since complexity alone is not itself a recognized hardship category under the applicable guidance. Genuinely documented technology failure, lack of reliable internet access, and a qualifying religious objection are all recognized bases for this specific request.

94. A — A—The taxpayer generally must review the completed return, including the accounting method change disclosure, before signing the Form 8879 authorization for electronic filing. The taxpayer need not personally understand every technical calculation detail, need not obtain a separate independent verification, and need not sign a specific supplemental complexity acknowledgment form.

95. C — A—This retention obligation is the same standard obligation applicable to any other return, regardless of the underlying accounting method complexity actually involved in that specific return. It is not extended for this specific complexity, is not waived entirely for such returns, and is not subject to a completely separate unique rule set.

96. B — A—This confirmation should always include checking whether the specific application form or attachment genuinely requires separate Form 8453 transmittal under the current applicable instructions in effect. Whether the change is favorable or unfavorable, the specific adjustment amount, and prior accounting method changes are all irrelevant to this specific transmittal requirement check.

97. C — A—Verification should always confirm the specific identified error has been resolved without inadvertently altering the substantive accounting method position actually taken on the return itself. The overall page count, the specific font used, and the taxpayer's refund method preference are all irrelevant to this genuine substantive verification actually needed here.

98. A — A—A sound protocol should always genuinely include escalation to a more experienced staff member genuinely familiar with the specific accounting method rules actually involved in the return.

Automatic assignment regardless of experience, no differentiated protocol at all, and automatic resubmission without review all fail to appropriately address this specific complexity.

99. D — A—Training should always genuinely address recognizing when complexity like an accounting method change warrants additional internal review, given the genuinely heightened risk of errors in such calculations. No additional review at all, automatic rejection of the engagement, and immediate escalation to the IRS bypassing internal review are all inappropriate responses.

100. B — A—This overall commitment reflects the recognition that genuine accuracy in complex matters requires the same careful compliance attention as any other filing the Provider handles. Complex returns do carry genuinely distinct compliance considerations, attention should not decrease with complexity, and complex filings do warrant genuine compliance attention, not only routine ones.