PRACTICE EXAM 19: ENROLLED AGENT PART 3 SIMULATION (100 QUESTIONS)

This practice exam contains 100 questions covering Practices and Procedures, Representation before the IRS, Specific Areas of Representation, and Filing Process. The actual Special Enrollment Examination Part 3 allows 3.5 hours and requires a scaled score of 500 (on a 200-800 scale) to pass. Select the single best answer for each question.

1. A practitioner's enrollment card, once issued, generally serves as:

A. A permanent, unconditional credential that never requires any further renewal of any kind
B. Evidence of the practitioner's current enrollment status, subject to the applicable renewal cycle
C. The sole legally required document a practitioner must present before any IRS representation
D. Proof of the practitioner's specific competence in every possible area of tax law

2. A practitioner's continuing education hours earned through a bar-approved legal education program generally:

A. May qualify toward the Circular 230 requirement if the program also meets the applicable IRS-approved standards
B. Automatically and fully satisfy the entire Circular 230 continuing education requirement without further review
C. Can never qualify toward the Circular 230 requirement under any circumstances whatsoever
D. Qualify only if the practitioner is also independently licensed as a practicing attorney

3. A practitioner's obligation to maintain a current mailing address on file with the IRS generally applies:

A. Only at the specific time of the practitioner's original initial enrollment application
B. Only during years in which the practitioner actually represents at least one taxpayer

C. Only if the practitioner has been previously sanctioned under a Circular 230 proceeding
D. Throughout the entire period of enrollment, not merely at the time of initial application

4. OPR's authority to issue an informal, non-disciplinary warning to a practitioner generally serves the purpose of:

A. Formally and permanently establishing a disciplinary record identical to a suspension
B. Automatically triggering a mandatory formal hearing before an Administrative Law Judge
C. Correcting minor concerns before they potentially develop into more serious violations requiring formal action
D. Publicly identifying the practitioner by name in a formal published disciplinary notice

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

A. A reasonable inquiry into whether the loss genuinely qualifies under applicable rules and is properly substantiated
B. Independent verification directly with the specific insurance company involved in any related claim
C. Automatic disallowance of any casualty loss claim exceeding a specific fixed dollar amount
D. No inquiry whatsoever, since casualty loss claims are presumed accurate automatically

6. A practitioner's advice regarding a position supported by substantial authority generally may be signed even where the position has never been specifically addressed by the taxpayer's own governing circuit because:

A. Section 10.34 applies only where the taxpayer's own specific circuit has directly and previously ruled on the issue
B. A position lacking circuit-specific precedent automatically fails to meet the substantial authority standard
C. The signing obligation is irrelevant wherever the taxpayer's own specific circuit has not yet ruled
D. Substantial authority may be established through sources beyond binding precedent in the taxpayer's specific circuit

7. A contingent fee arrangement is generally permitted for representation regarding a claim solely under the IRS Whistleblower Program because:

A. Whistleblower claims are treated identically to an original return position under Circular 230's fee rules

B. Such claims are treated as fundamentally distinct from ordinary return preparation or original position advocacy

C. Contingent fees are prohibited in every context except the specific whistleblower context

D. The IRS specifically requires contingent fee arrangements for all whistleblower representations

8. A practitioner's fee arrangement involving a retainer applied against future billed time generally should be:

A. Left deliberately vague regarding what happens to any unused portion of the retainer

B. Set at the highest amount the practitioner believes the client might conceivably tolerate paying

C. Clearly explained regarding how the retainer will be applied and what happens to any unused portion

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

9. A practitioner's advertisement claiming to offer "guaranteed results" is generally:

A. Always permitted, since guarantee-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. Prohibited or at minimum highly problematic, since tax outcomes cannot genuinely be guaranteed in advance

D. Irrelevant to Circular 230, since it is treated as harmless marketing puffery

10. A practitioner's conflict of interest analysis for representing a taxpayer in a matter where the practitioner previously served as an expert witness against a similar taxpayer position in an unrelated case generally should evaluate:

A. Only the total fee the practitioner received for the prior expert witness engagement

B. Only whether the prior case involved the exact same specific taxpayer as the current matter

C. Only the specific court in which the prior expert witness testimony was actually given
D. Whether the prior expert testimony creates an inconsistency undermining the practitioner's current advocacy

11. A practitioner's written consent documentation for a conflict arising from prior inconsistent expert testimony should generally address the specific:

A. Only the practitioner's own personal opinion of how successful the prior testimony was received
B. Extent to which the prior testimony's positions differ from the current representation's intended advocacy
C. Only the specific total dollar amount the client's matter involves in dispute
D. Only whether the prior testimony occurred before or after the practitioner's own enrollment as an EA

12. A firm's Section 10.36 procedures should generally address how the firm handles a matter involving a practitioner's own prior inconsistent advocacy by:

A. Requiring disclosure of the inconsistency and evaluation of whether it presents a genuine conflict
B. Automatically declining every such matter regardless of the actual specific circumstances involved
C. Automatically accepting every such matter with no evaluation of any kind conducted
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 generally may be established even where the practitioner genuinely believed the statement was true at the time, if the practitioner:

A. Recklessly disregarded readily available information that would have revealed the statement's actual falsity
B. Simply held a subjective personal belief the underlying statement was entirely accurate
C. Charged the client a fee for the specific representation involving the statement
D. Previously represented a different, entirely unrelated client on an unrelated matter

14. A practitioner's obligation regarding accuracy of representations generally applies with equal force to representations made:

A. Only in writing, since verbal representations are treated as carrying no genuine accuracy obligation
B. Only verbally, since written representations are treated as carrying no genuine accuracy obligation
C. In writing and verbally, since the medium of communication does not diminish the underlying accuracy obligation
D. Only where the representation is later reduced to a formal, notarized written document

15. A practitioner's written tax opinion prepared for a matter involving a client's proposed transaction that has not yet actually occurred should generally clearly indicate:

A. That the opinion applies regardless of how the transaction is ultimately actually implemented
B. That the opinion guarantees the transaction will proceed exactly as currently planned by the client
C. Nothing regarding the transaction's prospective, not-yet-occurred status, to avoid unnecessary complexity
D. That the opinion's conclusions are based on the transaction being implemented consistent with the facts as described

16. A practitioner's competence obligation regarding a matter involving a client's proposed transaction with genuinely uncertain future tax consequences generally requires:

A. Selecting whichever possible outcome happens to be most favorable and presenting it as certain
B. Clearly disclosing the uncertainty and the range of reasonably possible outcomes to the client
C. Declining to address the matter at all until the future consequences become entirely certain
D. Guaranteeing the client a specific favorable outcome despite the genuinely uncertain future consequences

17. A practitioner's advertising claim regarding the firm's specific fee structure should generally accurately reflect:

A. Only the firm's lowest possible hypothetical rate, regardless of what most clients actually pay
B. Only a range so broad it provides no genuinely meaningful information to a prospective client
C. Only the firm's highest possible hypothetical rate, regardless of what most clients actually pay

D. What clients will genuinely be charged, avoiding advertised rates that differ from actual billing practices

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

A. Being conducted by an IRS employee holding a specific supervisory job title
B. Being conducted using the proper official channel and administrative process
C. Ultimately justified on the merits, since the obligation to produce lawfully requested records exists independently
D. Being conducted by an IRS employee who is actually authorized to make the specific request

19. A practitioner's failure to identify a client's eligibility for the Foreign Earned Income Exclusion, where the client clearly qualifies, may reflect:

A. An entirely acceptable practice, since practitioners bear no obligation to identify every possible exclusion
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 the client is now considering litigation against a party the practitioner also currently represents in an unrelated matter because:

A. The newly discovered potential litigation may genuinely affect whether continued representation of either client remains appropriate
B. IRS regulations specifically mandate an entirely new engagement letter for every newly discovered situation like this
C. Discovering this potential litigation automatically and categorically terminates both pre-existing engagements

D. Clients specifically expect and demand a fresh conflict evaluation memo for every such discovery

21. A practitioner's disreputable conduct violation involving soliciting a client through false or misleading claims about the practitioner's own credentials generally reflects a violation implicating:

A. Only the individual client's interests, with no broader implication for the profession's integrity whatsoever
B. Only the practitioner's own professional reputation, with no client or profession-level implication at all
C. No genuine violation at all, since Circular 230 does not actually address credential-related solicitation claims
D. Both the specific client's ability to make an informed engagement decision and the profession's broader integrity

22. A practitioner's obligation to maintain confidentiality of client information generally applies to draft documents and preliminary analyses the practitioner prepared, even where:

A. The client specifically requested the drafts be destroyed immediately upon completion of the engagement
B. The drafts contain only preliminary, tentative conclusions rather than a final, settled analysis
C. Those drafts were never actually finalized or formally shared with the IRS or any other third party
D. The drafts were prepared using a template the practitioner also uses for other, unrelated clients

23. A practitioner's decision to decline representing a client whose desired outcome the practitioner reasonably believes is legally unattainable given the actual facts is generally:

A. An appropriate exercise of professional judgment consistent with Circular 230's competence and accuracy standards
B. A violation of an implied duty to pursue any outcome a client explicitly desires regardless of legal attainability
C. Irrelevant to Circular 230, since declining representation carries no professional significance
D. Permitted only if the practitioner first obtains a formal court ruling confirming the outcome is unattainable

24. A practitioner's obligation regarding accuracy of representations extends to a formal request for expedited processing to the extent the request concerns:

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

25. A practitioner's suspension sanction generally is distinguishable from a formal reprimand in that the suspension:

A. Actively bars practice before the IRS for its defined period, unlike a reprimand which does not bar practice
B. Is always shorter in duration than any reprimand imposed under a separate Circular 230 proceeding
C. Carries no genuine disciplinary significance, unlike a reprimand which is treated as more serious
D. Applies only to attorneys, while a reprimand applies exclusively to Enrolled Agents specifically

26. A practitioner's monetary penalty under Section 10.50 is generally payable to:

A. The specific harmed client directly, as a form of court-ordered restitution for the client's own loss
B. The United States Treasury, as a genuine federal regulatory sanction rather than private compensation
C. The individual OPR attorney who personally handled the underlying disciplinary matter
D. A private charitable organization the practitioner personally selects at the time of payment

27. A practitioner's reinstatement following disbarment generally requires OPR to consider evidence of the practitioner's conduct occurring:

A. Only during the practitioner's own personal financial need to resume practicing before the IRS
B. Only the specific number of years that have elapsed since the disbarment was originally imposed

C. Throughout the entire disbarment period, not merely at the specific moment the reinstatement petition is filed

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 prior representation of a client's former business partner in an unrelated dissolution matter, requiring the practitioner to generally:

A. Simply decline the current matter entirely with no disclosure or evaluation ever required

B. Ignore the prior representation entirely, since it is treated as unrelated to the tax representation itself

C. Disclose only to the current client if that client specifically and independently asks about the prior matter

D. Evaluate whether confidential information from the prior dissolution representation could improperly affect the current matter

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

A. An assumption that a former-client-referred prospective client automatically presents no possible conflict

B. Skipping the conflict check entirely, since the former client has presumably already vetted the referral

C. The same systematic conflict check applied to any other matter, regardless of the referral source's identity

D. Relying exclusively on the former client's own internal assurance that no conflict genuinely exists

30. A practitioner's overall professional obligations under Circular 230 reflect an understanding that effective tax administration ultimately depends on:

A. Practitioners having no genuine independent role beyond simply following whatever the client instructs

B. A functioning partnership between taxpayers, practitioners, and the IRS, each fulfilling their respective roles

C. The IRS bearing sole and exclusive responsibility for tax administration without any practitioner involvement
D. Taxpayers bearing no genuine responsibility whatsoever once a practitioner has been formally engaged

31. A practitioner's overall commitment to Circular 230's standards is best understood as ultimately serving to protect:

A. Only the individual practitioner's own personal professional reputation and standing
B. Only the IRS's own narrow institutional interest in efficient case processing
C. Only competing practitioners' interests in a level playing field within the profession
D. Both individual taxpayers relying on practitioner expertise and the broader public's confidence in tax administration

32. A taxpayer's power of attorney generally should be reviewed periodically during a lengthy representation to confirm:

A. The authorization's scope still accurately reflects the matters and periods genuinely at issue
B. The taxpayer's own personal preference for the specific paper stock the form was originally printed on
C. The representative's own general satisfaction with how the matter has proceeded so far
D. The specific IRS office currently assigned to the matter has not changed since the original filing

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. Delegate authority to an entirely different, unnamed representative absent specific separate authorization
C. Receive copies of notices regarding the specifically covered matters
D. Advocate the taxpayer's position at a scheduled examination interview

34. A taxpayer's power of attorney generally remains effective notwithstanding a change in the taxpayer's own marital status because:

A. IRS regulations specifically require every power of attorney to be refiled after any marital status change

B. Marital status is treated as a mandatory element of a validly executed power of attorney form

C. The authorization identifies the taxpayer as an individual, not contingent on the taxpayer's marital status

D. Marital status changes automatically and categorically revoke any existing power of attorney on file

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

A. Simply being informally discussed between the taxpayer and the practitioner with no formal filing made

B. Awaiting the taxpayer's own decision regarding whether to actually retain a representative

C. Being informally reviewed by the practitioner before any matter is actually filed with any court

D. Pending before the United States Tax Court, plus the applicable additional period the statute separately provides

36. A taxpayer's decision whether to sign Form 872 should generally weigh the specific benefits of additional time against the specific risk that:

A. The IRS may use the extended time to develop a stronger case against the taxpayer's position

B. The specific IRS employee handling the matter might personally disapprove of the taxpayer's decision

C. The specific calendar date on which the request happens to be made carries independent legal significance

D. The taxpayer's own general feelings about the IRS as an institution might change during the extension

37. A taxpayer's position supported by a formal Chief Counsel Notice 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. Internal IRS guidance directing Chief Counsel attorneys, a genuinely relevant though not binding factor in risk assessment

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

38. A taxpayer's reliance on a position that a majority of tax professionals in the relevant field consider correct, absent formal authority directly on point, generally reflects:

A. An automatically frivolous position lacking any recognized basis whatsoever

B. A position carrying weight identical to a formal, binding Treasury Regulation on the same topic

C. Grounds for automatic penalty relief regardless of any other circumstances involved

D. A reasonable basis argument, though weaker than a position with formal IRS or judicial authority

39. A taxpayer's disclosure of a position through Form 8275 for a matter later selected for examination generally should be:

A. Withdrawn entirely once an examination has actually begun, since disclosure is treated as no longer relevant

B. Reviewed alongside the examiner to confirm the examiner has actually seen and considered the disclosure

C. Resubmitted using an entirely different, unrelated form once an examination has actually begun

D. Ignored entirely during the examination, since the disclosure was already made at filing

40. A taxpayer's transparent, well-documented position that the IRS ultimately rejects after full consideration generally results in:

A. A civil tax adjustment reflecting the IRS's determination, absent any evidence of fraud or willful evasion

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

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

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

41. The Taxpayer Advocate Service's assistance is generally most appropriate for a matter involving:

A. A routine matter the taxpayer has not yet even attempted to resolve through normal IRS channels
B. A genuine, documented hardship or a systemic processing delay the normal channels have failed to resolve
C. A matter the taxpayer simply prefers to have resolved more quickly with no genuine hardship shown
D. A matter already fully and favorably resolved through the normal administrative process

42. A Taxpayer Assistance Order's specific relief granted generally is tailored to:

A. The particular hardship documented and the specific IRS action or inaction actually causing it
B. A standardized, identical remedy applied uniformly regardless of the taxpayer's own specific circumstances
C. Whatever remedy the taxpayer's representative happens to personally request, regardless of the documented hardship
D. The maximum relief theoretically available under any circumstances, regardless of the actual hardship shown

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

44. A practitioner's preliminary assessment of a new matter involving a taxpayer's participation in a Section 1031 like-kind exchange should generally include confirming:

A. Only the specific real estate agent involved in facilitating the underlying property transaction
B. Only the taxpayer's personal opinion regarding whether like-kind exchanges are generally advantageous
C. Only the specific bank the taxpayer uses for the taxpayer's own personal banking needs
D. Whether the exchange satisfied the applicable timing and property qualification requirements

45. A conflict check's scope for a matter involving multiple parties to a Section 1031 exchange should generally extend to:

A. Each individual party to the exchange, given their potential differing interests in the transaction's tax treatment
B. Only the qualified intermediary's own formal legal name, with no inquiry into the other exchange parties
C. Only the specific county in which the exchanged properties happen to be located
D. Only the total dollar value of the properties involved in the overall exchange

46. A taxpayer's account transcript entry reflecting a disallowed Section 1031 exchange generally indicates:

A. An automatic, complete forgiveness of any resulting tax liability regardless of the disallowance
B. The IRS determined the exchange failed to satisfy the applicable statutory requirements for deferral
C. An entry unrelated to any actual IRS action, requiring no further explanation at all
D. A penalty specifically assessed against the taxpayer for having attempted the exchange

47. A practitioner's analysis challenging a disallowed Section 1031 exchange should generally focus on:

A. Only the taxpayer's personal opinion regarding whether the disallowance is generally fair
B. Only the specific examiner's overall years of experience conducting examinations
C. Identifying specific facts demonstrating the exchange actually satisfied the applicable statutory requirements
D. Only the specific real estate agent's overall years of experience in the industry

48. A requesting spouse's Innocent Spouse Relief claim involving a disallowed Section 1031 exchange generally should address:

A. Only the requesting spouse's personal opinion regarding real estate investment generally
B. Only the couple's total combined years of marriage before the exchange occurred
C. Only the requesting spouse's current occupation and specific employer
D. Whether the requesting spouse had actual knowledge of the facts underlying the exchange's disallowance

49. A practitioner's documentation for a matter involving a challenge to a disallowed Section 1031 exchange should generally address the specific:

A. Only the couple's original choice of wedding venue and related details
B. Timeline of identification and receipt of replacement property against the applicable statutory deadlines
C. Only the couple's shared taste in home decor and furnishings
D. Only the couple's preferred vacation destinations over the years

50. A practitioner's early assessment of potential criminal exposure in a matter involving a Section 1031 exchange should generally weigh:

A. Whether the exchange structure was genuinely intended to defer tax legitimately or to conceal a taxable event
B. Only the specific real estate agent involved in facilitating the underlying property transaction
C. Only the client's overall general demeanor during a single initial consultation meeting
D. Only the specific total dollar value of the properties involved in the exchange

51. A practitioner who identifies potential criminal exposure in a Section 1031 exchange 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. Advising the client to simply amend returns without first considering the full scope of the potential exposure

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

52. A Kovel arrangement's application to a Section 1031 exchange matter generally requires the accountant's analysis to be:

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

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

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

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

53. A practitioner's case-building documentation for a Section 1031 exchange matter should generally include:

A. Only the taxpayer's own general assertion the exchange was properly structured with no supporting documentation

B. Only the qualified intermediary's general marketing materials for its exchange facilitation services

C. The formal exchange agreement, identification notices, and closing documents supporting the transaction's structure

D. Only the taxpayer's personal opinion regarding the overall fairness of Section 1031's requirements

54. A practitioner's overall case assessment for a Section 1031 exchange matter should generally distinguish between:

A. Property genuinely qualifying as like-kind and property that fails to satisfy the applicable qualification requirements

B. Only property acquired before versus after a specific arbitrary calendar date unrelated to the exchange

C. Only property located in one specific state versus property located in another specific state

D. Only property with a name containing the word "investment" versus property without that word

55. A practitioner's overall case-building strategy for a matter involving a multi-property Section 1031 exchange should generally include:

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

B. Only the intermediary's own proposed characterization of each property, accepted without independent review

C. Avoiding any tracking of multiple properties entirely to prevent inviting additional scrutiny

D. A consolidated summary tracking each property's role in the exchange and its qualification status

56. A practitioner's overall preliminary case assessment process for a Section 1031 exchange matter should generally include documenting:

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

B. The specific dates of property relinquishment, identification, and receipt against the statutory deadlines

C. Only the specific software the practitioner intends to use going forward in the matter

D. Only the client's general overall satisfaction with the practitioner's services to date

57. A practitioner's case-building work for a matter involving a taxpayer's claimed reasonable cause for a missed Section 1031 identification deadline should generally document:

A. Only the taxpayer's own personal, subjective belief that reasonable cause genuinely exists

B. Only the specific total dollar amount of the exchange transaction at issue in the matter

C. Only the specific qualified intermediary the taxpayer originally selected for the exchange

D. The specific circumstances genuinely preventing timely identification, such as a documented natural disaster

58. A practitioner's overall approach to preliminary case assessment for a genuinely complex multi-property exchange matter should generally reflect:

A. Careful, thorough fact development before committing to a specific strategic approach

B. Immediate commitment to a specific strategy before any meaningful fact development has occurred

C. Complete avoidance of the complex matter in favor of addressing only more familiar, comfortable issues

D. Deference entirely to the taxpayer's own proposed strategy with no independent practitioner analysis

59. A practitioner's case-building process for a Section 1031 exchange matter ultimately aims to ensure the taxpayer's qualification position is:

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

B. Automatically unfavorable to the taxpayer whenever an exchange is attempted, regardless of the actual facts

C. Genuinely supported by the actual facts developed, not assumed based on the mere fact an exchange was attempted

D. Based primarily on the practitioner's own initial gut impression formed before any fact development occurs

60. A practitioner's overall case-building philosophy for a Section 1031 exchange matter should generally reflect an understanding that the applicable requirements:

A. Apply flexibly on a case-by-case basis with no genuine strict deadlines actually involved

B. Involve strict statutory deadlines and qualification rules warranting careful, precise factual analysis

C. Never actually warrant any additional documentation beyond what a routine matter would require

D. Are legally prohibited from ever being examined by the IRS under any circumstances whatsoever

61. A taxpayer's short-term payment plan proposal for a taxpayer with proceeds from a recently completed Section 1031 exchange generally should address:

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

B. Whether any boot received in the exchange created taxable gain affecting the taxpayer's current liquidity

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

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

62. A taxpayer's non-streamlined installment agreement for a taxpayer with recently exchanged real property generally requires the Collection Information Statement to reflect:

A. Only the taxpayer's asset position exactly as it existed before the exchange ever took place
B. Only the specific qualified intermediary's own general financial standing and reputation
C. Only the specific county in which the newly acquired replacement property is located
D. The current post-exchange asset picture, not the taxpayer's asset position before the exchange occurred

63. A taxpayer's offer in compromise for a taxpayer holding replacement property from a Section 1031 exchange generally requires the RCP calculation to reflect:

A. Only the taxpayer's personal preference for how the replacement property should ultimately be valued
B. Only the relinquished property's original purchase price from many years in the past
C. The replacement property's actual current fair market value, not its carried-over basis from the exchange
D. Only the specific qualified intermediary's own general fee schedule for facilitating exchanges

64. A lien filed against replacement property acquired through a Section 1031 exchange generally attaches:

A. To the taxpayer's interest in the replacement property, consistent with general federal tax lien principles
B. Only to the relinquished property that was originally exchanged away, not the newly acquired replacement
C. To neither the replacement nor the relinquished property, since exchanged property is treated as exempt
D. Only to the qualified intermediary's own separate assets used to facilitate the exchange

65. A levy on a taxpayer's replacement property acquired through a Section 1031 exchange generally is subject to:

A. An automatic exemption from levy specifically because the property was acquired through a like-kind exchange
B. The same general levy procedures and exemptions applicable to any other real property the taxpayer owns
C. A mandatory waiting period of exactly one full year following the exchange before any levy may occur
D. Approval requirements from the original qualified intermediary before any levy may actually proceed

66. A Currently Not Collectible determination for a taxpayer holding illiquid replacement property from a Section 1031 exchange generally requires evaluating:

A. Only the property's original purchase price from the relinquished property many years in the past
B. Only the specific qualified intermediary's own general reputation in the industry
C. Whether the property's illiquidity genuinely prevents the taxpayer from accessing funds to pay the liability
D. Only whichever figure the taxpayer happens to personally prefer be used for this determination

67. A taxpayer's CDP hearing addressing a proposed levy on replacement property from a Section 1031 exchange should generally raise the specific issue of:

A. Whether the levy would create genuine hardship given the property's actual current liquidity constraints
B. Only the taxpayer's general personal opinion regarding the fairness of like-kind exchange taxation generally
C. Only the specific total number of years the taxpayer has held real estate investments generally
D. Only the specific federal agency responsible for administering Section 1031 generally

68. A TFRP assessment is generally unrelated to a Section 1031 exchange matter because TFRP addresses:

A. The exact same underlying tax issue Section 1031 itself addresses, applied to a different taxpayer type
B. A penalty specifically triggered whenever a Section 1031 exchange is disallowed by the IRS

C. An issue that only arises for taxpayers who have previously attempted a like-kind exchange

D. Unpaid employment trust fund taxes, a distinct issue from the capital gains deferral Section 1031 provides

69. A responsible person's TFRP liability generally is unrelated to whether the person's business separately engaged in a Section 1031 exchange because:

A. Section 1031 exchanges automatically increase the responsible person's TFRP exposure regardless of any other factor

B. Businesses that engage in exchanges are categorically exempt from any TFRP assessment whatsoever

C. TFRP liability turns on control over trust fund payments, not on the business's separate real estate transactions

D. TFRP liability is calculated using the same formula applied to calculate Section 1031 gain deferral

70. A practitioner's Section 7525 privilege claim regarding communications about the tax structuring of a Section 1031 exchange generally requires establishing the communication:

A. Genuinely concerned tax advice regarding the exchange, not merely general real estate brokerage guidance

B. Occurred during the qualified intermediary's normal business hours specifically

C. Was communicated in writing rather than verbally during a meeting

D. Was copied to the taxpayer's outside legal counsel as a matter of course

71. A taxpayer's Cohan estimate is generally inapplicable to establishing whether a Section 1031 exchange satisfied the identification deadline because:

A. Cohan estimates apply exclusively to matters involving real property exchanges specifically

B. The identification deadline is treated as flexible and subject to reasonable estimation under applicable case law

C. Section 1031 exchanges are categorically excluded from any application of the Cohan doctrine whatsoever

D. The identification deadline is a strict statutory requirement not subject to estimation, unlike an expense amount

72. A practitioner's review of an RAR's proposed adjustment disallowing a Section 1031 exchange should generally verify the examiner's:

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

B. Specific factual findings regarding the timing or property qualification issue actually cited as the basis

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

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

73. A taxpayer's response to a 30-day letter proposing a Section 1031 exchange disallowance should generally address whether:

A. The taxpayer simply prefers a different, unspecified tax treatment with no further explanation provided

B. The specific facts genuinely satisfy each applicable statutory and regulatory requirement the examiner disputed

C. The taxpayer's representative has personally ever encountered a similar exchange issue before

D. The specific calendar month in which the exchange occurred happens to be convenient for the taxpayer

74. A CP-2000 notice's proposed adjustment involving a discrepancy related to a Section 1031 exchange should generally prompt verification against:

A. Only the specific qualified intermediary's overall general reputation in the industry

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

C. The taxpayer's actual Form 8824 documentation and how the exchange was genuinely reported on the return

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

75. A taxpayer's Tax Court petition contesting a Section 1031 exchange disallowance should generally identify:

A. The specific basis for disputing the examiner's factual findings regarding timing or property qualification
B. Only the taxpayer's own general, unsupported opinion regarding like-kind exchanges generally
C. Only the total number of exchanges the taxpayer has completed over the taxpayer's lifetime
D. Only the specific qualified intermediary the taxpayer originally selected for the exchange

76. A taxpayer's Appeals conference preparation for a Section 1031 exchange dispute should generally include:

A. Simply asserting the exchange was proper with no supporting timeline or documentation provided
B. Avoiding any discussion of the applicable statutory deadlines to prevent inviting additional scrutiny
C. Deferring entirely to the Appeals Officer to independently reconstruct the exchange's actual timeline
D. A clear, chronological timeline demonstrating compliance with each applicable statutory deadline

77. A taxpayer's decision to accept an Appeals settlement resolving a Section 1031 exchange dispute should generally be documented to specify:

A. Only the Appeals Officer's own general personal preference regarding like-kind exchanges generally
B. Only the specific conference room where the settlement was actually reached
C. The specific gain amount ultimately recognized and the resulting tax effect for the applicable year
D. Only the taxpayer's general overall satisfaction with how the dispute was ultimately resolved

78. A taxpayer's small tax case election is generally available for a Section 1031 exchange dispute where the disputed amount:

A. Involves any Section 1031 exchange whatsoever, since such exchanges are categorically excluded from this election
B. Falls at or below the applicable dollar threshold, regardless of the underlying exchange transaction's complexity
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 conduct like-kind exchanges

79. A taxpayer's formal written protest for a Section 1031 exchange dispute should generally cite specific evidence supporting:

A. The taxpayer's compliance with the applicable identification and receipt deadlines under the governing rules

B. Only the taxpayer's own general, unsupported opinion regarding which treatment seems fairer

C. Only a demand that the examiner simply accept the taxpayer's proposed treatment without question

D. Only a general assertion that the examiner's proposed adjustment is obviously too large with no further detail

80. A taxpayer's Appeals settlement for a Section 1031 exchange dispute involving a partial disallowance generally should be documented to specify:

A. Only the Appeals Officer's own general personal philosophy regarding partial disallowances generally

B. Only the specific date the original exchange transaction first began

C. Only the taxpayer's general overall satisfaction with how the dispute was ultimately resolved

D. Which specific portion of the exchange was ultimately disallowed and the resulting recognized gain calculation

81. A taxpayer's decision to pursue Post-Appeals Mediation for a Section 1031 exchange dispute should generally weigh whether:

A. The specific mediator happens to have personal experience conducting real estate transactions

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

C. The taxpayer's representative has previously used mediation in an entirely unrelated prior matter

D. A neutral mediator could genuinely help resolve the specific remaining factual disagreement over compliance timing

82. A taxpayer's Appeals conference outcome for a Section 1031 exchange dispute resulting in a partial concession by the IRS generally reflects:

A. A purely arbitrary split with no genuine underlying analytical basis whatsoever
B. An automatic default rule the IRS applies to every single Section 1031 exchange dispute
C. A hazards-of-litigation compromise recognizing genuine factual uncertainty regarding the timing compliance issue
D. A clerical error in properly calculating the correct final resolution amount for the matter

83. A practitioner's overall goal in preparing case-building materials for a Section 1031 exchange Appeals conference should generally include:

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

84. A practitioner's overall approach to representing a taxpayer in a Section 1031 exchange dispute should generally reflect an understanding that:

A. The IRS generally grants broad equitable exceptions to Section 1031's statutory deadlines upon request
B. Strict compliance with statutory deadlines is generally required, leaving little room for equitable exceptions
C. Section 1031's deadlines are treated as merely advisory guidelines with no genuine enforcement consequence
D. Courts routinely excuse missed Section 1031 deadlines regardless of the taxpayer's specific circumstances

85. A preparer's software calculation for a return involving a Section 1031 exchange should generally still involve manual review of:

A. Only the federal portion, since state-level exchange calculations are treated as automatically reliable
B. Form 8824's realized versus recognized gain calculation given the exchange's specific facts
C. No portion of the return at all, since exchange 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 1031 exchange's basis calculation illustrates the importance of reviewing:

A. Only the specific software version number used to prepare the particular return
B. Only the client's stated preference for which property to treat as primary in the exchange
C. How the replacement property's basis was actually calculated and whether figures were entered only once
D. Only the total number of properties involved in the overall exchange transaction

87. A preparer's Section 6107(b) obligation for a return involving a Section 1031 exchange generally applies to:

A. Only the portion of the return unrelated to the exchange specifically
B. Only a separate, distinct recordkeeping category maintained apart from the general return records
C. Only if the IRS specifically requests the exchange documentation be separately retained
D. The return as a whole, including the specific Form 8824 documentation supporting the exchange

88. A preparer's data security obligations for records supporting a complex Section 1031 exchange should generally reflect:

A. The genuine sensitivity and complexity of the underlying real estate and financial data involved
B. Only whatever security measures happen to be least expensive for the firm to implement generally
C. Only whatever security measures a single, specific competitor firm happens to currently use
D. No specific evaluation criteria at all, since exchange 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. Client base includes taxpayers with genuinely complex returns, such as those involving Section 1031 exchanges
B. Own tax compliance history has actually been reviewed as part of the application process
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 Section 1031 exchange reporting 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 Section 1031 exchanges
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 Section 1031 exchange issue should generally reference:

A. Only the preparer's own general opinion regarding the complexity of exchange rules generally
B. The specific recognized exception category actually applicable, not the underlying complexity of the exchange issue itself
C. Only the specific qualified intermediary the exchange actually used to facilitate the transaction
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. The mere complexity of a client's Section 1031 exchange, since complexity alone is not a recognized hardship category
B. A documented, significant technology failure genuinely preventing electronic filing
C. A documented lack of reliable internet access genuinely preventing electronic filing
D. A documented religious objection genuinely qualifying under the applicable recognized exception

94. A taxpayer's Form 8879 authorization for a return involving a Section 1031 exchange generally requires the taxpayer to:

A. Personally understand every technical detail of the exchange's basis calculation before signing the authorization
B. Obtain independent verification of the exchange calculation from a completely separate practitioner
C. Review the completed return, including Form 8824's reported figures, before signing the authorization
D. Sign a supplemental form specifically acknowledging the exchange's inherent complexity

95. An ERO's Form 8879 retention obligation for a return involving a Section 1031 exchange generally is:

A. Extended to a longer period specifically because of the exchange's underlying complexity
B. Waived entirely for returns involving exchanges given their genuinely specialized nature
C. Subject to a completely separate set of retention rules unique to exchange returns specifically
D. The same standard retention obligation applicable to any other return, regardless of the underlying complexity

96. A preparer's confirmation of Form 8453 requirements for a return involving a Section 1031 exchange application should generally include checking:

A. Only whether the exchange happens to be favorable or unfavorable to the taxpayer
B. Whether the specific Form 8824 or attachment requires separate transmittal under current instructions

C. Only the specific total dollar amount of the resulting recognized gain

D. Only whether the taxpayer has previously conducted a like-kind exchange in any prior tax year

97. A rejected return involving a Section 1031 exchange 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 error identified in the rejection has been resolved without altering the substantive exchange position taken

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

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 Section 1031 exchange issues should generally include:

A. Escalation to a more experienced staff member familiar with the specific exchange 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 exchange 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 a Section 1031 exchange, 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. Compliance attention should actually decrease as a return's underlying complexity genuinely increases

C. Genuine accuracy in complex matters requires the same careful compliance attention as any other filing

D. Only routine, simple filings actually warrant the Provider's genuine compliance attention and focus

Practice Exam 19: Answer Key and Explanations

1. B — A—The enrollment card serves as evidence of current enrollment status, subject to the applicable renewal cycle requirements that continue to apply. It is not a permanent unconditional credential requiring no further renewal, is not the sole legally required document for representation, and does not itself prove competence in every tax area.

2. A — A—Such hours may qualify toward the Circular 230 requirement if the specific program also independently meets the applicable IRS-approved provider standards set. This is not an automatic full satisfaction without further review, is not categorically disqualified from ever counting, and does not require the practitioner also be a licensed attorney.

3. D — D—This obligation applies throughout the entire period of enrollment, not merely at the specific time of the original initial application submitted. It is not limited only to the time of initial application, is not limited only to years with active representation, and does not depend on any prior sanction history.

4. C — C—Such a warning generally serves to correct minor concerns before they potentially develop into more serious violations that would require genuine formal action. It does not formally establish a disciplinary record identical to suspension, does not automatically trigger a mandatory hearing, and does not result in public identification through a formal notice.

5. A — A—Due diligence requires a reasonable inquiry into whether the loss genuinely qualifies under the applicable rules and is properly substantiated by the taxpayer. Direct insurance company verification is not required, automatic disallowance above an arbitrary amount is inappropriate, and no inquiry at all under any circumstances misstates this reasonable-inquiry standard.

6. D — D—Substantial authority may be established through sources beyond binding precedent from the taxpayer's specific circuit, such as other circuits' decisions or IRS guidance. Section 10.34 does not require the taxpayer's own circuit to have ruled, absence of circuit precedent does not automatically defeat the standard, and the obligation remains genuinely relevant.

7. B — B—Whistleblower claims are treated as fundamentally distinct from ordinary return preparation or original position advocacy, falling within a recognized permitted contingent fee category. They are not treated identically to an original return position, contingent fees are not prohibited in every other context, and the IRS does not specifically require this fee structure.

8. C — C—A retainer arrangement should be clearly explained regarding how it will genuinely be applied against future billed time and what happens to any unused portion. Leaving the unused-portion treatment deliberately vague, setting the retainer at the highest conceivably tolerable amount, and relying entirely on a verbal understanding are all inappropriate approaches.

9. C — C—A claim of "guaranteed results" is prohibited or at minimum highly problematic, since genuine tax outcomes cannot actually be guaranteed in advance of any representation. This 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. D — D—This analysis evaluates whether the prior expert testimony creates a genuine inconsistency that could undermine the practitioner's current advocacy for a similar position. The prior engagement's fee amount, whether the same specific taxpayer was involved, and the specific court where testimony was given are not themselves the substantive factors this analysis turns on.

11. B — B—Proper documentation should always carefully address the specific extent to which the prior testimony's positions genuinely differ from the current representation's intended advocacy approach itself. The practitioner's own opinion of how the testimony was received, the disputed dollar amount, and the testimony's timing relative to enrollment are not this required content.

12. A — A—Sound procedures always require disclosure of the inconsistency and a genuine evaluation of whether it actually presents a conflict given the specific circumstances involved here. 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. A — A—This violation may always genuinely and validly be established even absent actual knowledge, where the practitioner recklessly disregarded readily available information revealing the actual falsity involved. A mere subjective belief in accuracy alone, charging a fee, and prior unrelated representation do not themselves establish or negate this reckless disregard standard.

14. C — C—This obligation applies always with equal force to written and verbal representations alike, since the communication medium does not itself diminish the underlying accuracy obligation genuinely owed. It is not limited only to written representations, is not limited only to verbal representations, and does not require later notarization to apply.

15. D — D—A proper opinion should always clearly and quite specifically indicate that the conclusions are actually based on the transaction being implemented consistent with the facts as originally described. Applying regardless of actual implementation, guaranteeing the transaction proceeds exactly as planned, and omitting the prospective-status indication entirely are all inappropriate approaches.

16. B — B—Competence here always requires clearly and honestly disclosing the genuine uncertainty and the range of reasonably possible outcomes to the client considering the proposed transaction. Presenting one favorable outcome as certain, declining to address the matter entirely, and guaranteeing a favorable outcome despite genuine uncertainty all misstate the appropriately cautious approach.

17. D — D—A fee structure claim should always accurately reflect what clients will genuinely be charged, avoiding advertised rates that differ meaningfully from actual billing practices actually used. Advertising only the lowest hypothetical rate, an unhelpfully broad range, and only the highest hypothetical rate are all potentially misleading approaches to this claim.

18. C — A—This obligation applies regardless of the practitioner's own personal belief about whether the underlying examination is ultimately justified on the substantive merits. The obligation does depend on the request coming through the proper official channel and on the requesting employee actually being authorized, but not on the practitioner's own merits judgment.

19. B — B—Failing to identify clearly applicable Foreign Earned Income Exclusion eligibility may reflect a genuine shortfall in the competence and diligence standards Circular 230 expects. This is not automatically acceptable simply because not every exclusion 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 potential litigation may genuinely affect whether continued representation of either client remains appropriate under the circumstances. There is no specific regulatory mandate for an entirely new engagement letter, discovery does not automatically terminate both engagements, and clients do not automatically demand a fresh memo.

21. D — D—This violation implicates both the specific client's ability to make a genuinely informed engagement decision and the broader profession's overall integrity and public trust generally. This is not limited only to the individual client's interests, is not merely about the practitioner's own reputation, and is genuinely addressed under Circular 230.

22. C — C—Confidentiality applies to drafts and preliminary analyses even where they contain only preliminary, tentative conclusions rather than a genuinely final, settled analysis. It applies even where drafts were never finalized or shared, even following a client's destruction request, and even where a shared template was used for other unrelated clients.

23. A — A—Declining representation of a legally unattainable desired outcome, given the actual facts, is an appropriate exercise of judgment consistent with Circular 230's competence and accuracy standards. There is no implied duty to pursue any desired outcome regardless of attainability, this decision carries genuine professional significance, and no prior court ruling is required to properly decline.

24. B — B—This accuracy obligation always genuinely and clearly extends to both the factual basis for the requested expedited treatment and any characterization of urgency the practitioner actually offers. It is not limited only to factual representations, is not limited only to characterization, and is not limited only to purely numerical calculations.

25. A — A—A suspension actively bars practice before the IRS for its defined period, unlike a reprimand, which does not itself bar the practitioner from continuing to practice. A suspension is not always shorter than a reprimand, does carry genuine disciplinary significance, and is not limited to attorneys while reprimands apply to Enrolled Agents specifically.

26. B — B—A Section 10.50 penalty is generally payable to the United States Treasury, reflecting its genuine character as a federal regulatory sanction, not private compensation. It is not payable directly to the harmed client as restitution, is not payable to the individual handling attorney, and is not payable to a practitioner-selected charity.

27. C — C—OPR considers evidence of the practitioner's conduct throughout the entire disbarment period, not merely at the specific moment the petition happens to actually be filed. 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 consideration.

28. D — D—This scenario requires evaluating whether confidential information from the prior dissolution representation could genuinely and improperly affect the current tax matter being handled. Simply declining with no disclosure at all, ignoring the prior representation as unrelated, and disclosing only upon a specific inquiry all fail to satisfy this proactive disclosure obligation.

29. C — C—A former-client-referred prospective client should undergo the same systematic conflict check applied to any other prospective client, regardless of the particular referral source's identity. Assuming automatic absence of conflict, skipping the check entirely, and relying exclusively on the former client's own assurance are all inadequate approaches to this necessary check.

30. B — B—These obligations reflect the understanding that effective tax administration ultimately depends on a functioning partnership between taxpayers, practitioners, and the IRS, each fulfilling distinct roles. Practitioners are not meant to have no independent role, the IRS does not bear sole exclusive responsibility, and taxpayers retain genuine responsibility despite engaging a practitioner.

31. D — D—This commitment ultimately serves to protect both individual taxpayers relying on practitioner expertise and the broader public's confidence in the overall tax administration system. It does not exist solely to protect the practitioner's own reputation, is not solely about IRS institutional efficiency, and is not designed to protect competing practitioners' interests.

32. A — A—Periodic review confirms the authorization's scope still accurately reflects the matters and periods genuinely at issue as the representation evolves over time. The paper stock originally used, the representative's own general satisfaction, and whether the assigned IRS office has changed are not themselves the substantive purpose of this periodic review.

33. B — B—A standard power of attorney always and generally does not authorize delegating authority to an entirely different, unnamed representative absent specific separate authorization for that heightened activity granted. 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—The authorization remains effective because it identifies the taxpayer as an individual, not contingent on the taxpayer's own marital status at any given time. There is no regulation requiring refiling after a marital status change, marital status is not itself a mandatory form element, and such changes do not automatically revoke the authorization.

35. D — D—The statute is tolled while a case is pending before the Tax Court, plus the applicable additional period the statute separately and specifically provides for this tolling. Informal discussion with no formal filing, awaiting a representation decision, and informal pre-filing review are not themselves recognized tolling events under this framework.

36. A — A—This decision should weigh the benefits of additional time against the genuine risk that the IRS may use the extended period to develop a stronger case against the position. The handling employee's personal disapproval, independent significance of the specific request date, and the taxpayer's general institutional feelings are not the relevant risk.

37. C — C—Such a notice reflects internal IRS guidance directing Chief Counsel attorneys, a genuinely relevant though not binding factor the practitioner should incorporate into the 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. D — D—Reliance on a widely-held professional view, absent formal authority, generally reflects a reasonable basis argument, though genuinely weaker than a position backed by formal authority. This is not automatically frivolous, does not carry weight identical to a binding regulation, and does not itself guarantee automatic penalty relief regardless of other facts.

39. B — B—This disclosure should be reviewed alongside the examiner to confirm the examiner has actually seen and genuinely considered the disclosure during the examination. It should not be withdrawn once an examination begins, should not be resubmitted using an unrelated form, and should not be ignored during the examination despite having been made at filing.

40. A — A—A transparent, well-documented position the IRS ultimately rejects generally results in a civil tax adjustment reflecting the IRS's determination, absent evidence of fraud. This does not trigger automatic criminal prosecution, is not entirely without consequence, and does not mandate automatic criminal referral absent genuine evidence of fraud or willful evasion.

41. B — B—TAS assistance is generally most appropriate for a genuine documented hardship or a systemic processing delay that normal channels have genuinely failed to resolve. It is not most appropriate for a routine matter never attempted through normal channels, a mere preference for speed with no hardship, or an already favorably resolved matter.

42. A — A—The relief granted is generally tailored to the particular hardship actually documented and the specific IRS action or inaction genuinely causing that hardship. It is not a standardized identical remedy applied uniformly, is not simply whatever the representative happens to request, and is not automatically the maximum theoretically available relief.

43. C — C—An EA's unlimited practice rights extend to a denial of a requested penalty abatement, in addition to income, employment, and other tax matters, reflecting the genuinely broad scope of authority. This is not limited to only individual income tax matters, is not limited to filings the EA personally prepared, and carries no dollar threshold limiting the matter's scope.

44. D — D—A proper preliminary assessment confirms whether the exchange genuinely satisfied the applicable timing and property qualification requirements under the governing rules. The specific real estate agent involved, the taxpayer's opinion of like-kind exchanges generally, and the taxpayer's personal bank are not themselves the substantive factors this assessment should focus on.

45. A — A—A thorough conflict check for this exchange should extend to each individual party involved, given their genuinely differing potential interests in the transaction's overall tax treatment. The intermediary's formal legal name alone, the specific county location, and the total property value are not themselves sufficient without this broader party-level inquiry.

46. B — A—This entry generally indicates the IRS determined the exchange genuinely failed to satisfy the applicable statutory requirements necessary for tax deferral treatment. It does not indicate automatic complete forgiveness of any resulting liability, is not unrelated to any actual IRS action, and is not itself a penalty for having attempted the exchange.

47. C — A—A proper challenge focuses on identifying specific facts genuinely demonstrating the exchange actually satisfied the applicable statutory requirements the examiner disputed. The taxpayer's general opinion of fairness, the examiner's years of experience, and the real estate agent's years of experience are not themselves the substantive basis this challenge should focus on.

48. D — D—This claim should always address whether the requesting spouse genuinely had actual knowledge of the facts underlying the exchange's ultimate disallowance by the IRS itself. The requesting spouse's general opinion of real estate investment, total years married, and current occupation are not themselves the primary consideration this specific knowledge-focused claim requires.

49. B — B—Proper documentation should always very carefully and truly clearly address the specific timeline of identification and receipt of replacement property measured against the applicable statutory deadlines involved. Wedding venue choice, shared home decor taste, and vacation preferences are not themselves the substantive factors this specific exchange-timing challenge should actually address.

50. A — A—A sound assessment weighs whether the exchange structure was genuinely intended to legitimately defer tax or instead to conceal an actual taxable event from the IRS. The specific real estate agent, the client's general demeanor at one meeting, and the total property value alone are not themselves the substantive factors this assessment should focus on.

51. C — A—A practitioner should always genuinely 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.

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

53. C — C—Proper documentation should always very clearly and quite specifically include the formal exchange agreement, identification notices, and closing documents genuinely supporting the actual full transaction's structure. A bare general assertion with no supporting documentation, the intermediary's marketing materials, and the taxpayer's opinion of fairness are not themselves this required documentation.

54. A — A—A proper case assessment always very carefully and precisely distinguishes between property genuinely qualifying as like-kind and property that fails to satisfy the applicable qualification requirements set. An arbitrary unrelated date, the specific state of location, and mere naming convention are not themselves meaningful analytical distinctions this assessment should draw.

55. D — D—Case-building for a multi-property exchange should always carefully include a consolidated summary tracking each property's role in the exchange and its actual qualification status shown clearly. Relying only on narrative with no tracking, simply accepting the intermediary's characterization without review, and avoiding tracking entirely all fail to properly manage this complexity.

56. B — A—A thorough preliminary assessment should always very carefully and quite clearly include documenting the specific dates of property relinquishment, identification, and receipt against the applicable deadlines set. A fee-only documentation, a software-only documentation, and a general satisfaction-only documentation all fail to capture this substantive, expected content the assessment should include.

57. D — B—Case-building for this reasonable cause claim should always clearly document the specific circumstances genuinely preventing timely identification, such as a documented natural disaster or similar disruption occurring. The taxpayer's own subjective belief alone, merely the transaction's total dollar amount, and merely the selected intermediary are not themselves this required documentation.

58. A — A—A sound approach reflects careful, thorough fact development before committing to a specific strategic approach for this genuinely complex multi-property exchange matter. Immediately committing to a strategy before fact development, avoiding the complex matter entirely, and deferring entirely to the taxpayer's own proposed strategy all fail to reflect this necessary careful approach.

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

60. B — B—This philosophy should always clearly reflect the understanding that the applicable requirements involve strict statutory deadlines and qualification rules warranting careful, precise factual analysis throughout. The requirements do not apply flexibly with no genuine strict deadlines, do warrant additional documentation, and the IRS is not prohibited from examining such matters.

61. B — B—This proposal should always address whether any boot received in the exchange created taxable gain genuinely affecting the taxpayer's current available liquidity for payment. Mere terminology preference, total assets regardless of liquidity, and a private credit score are not themselves the proper substantive basis for this specific payment plan proposal.

62. D — D—This statement should always reflect the taxpayer's current post-exchange asset picture, not an outdated asset position from before the exchange actually occurred. It is not based on the pre-exchange position alone, is not based on the intermediary's own financial standing, and is not based on merely the replacement property's county location.

63. C — C—This RCP calculation always requires very carefully and precisely reflecting the replacement property's actual current fair market value, not its carried-over tax basis inherited from the exchange. The taxpayer's mere valuation preference, the relinquished property's original purchase price, and the intermediary's fee schedule are not themselves this specific relevant content.

64. A — A—This lien attaches to the taxpayer's interest in the replacement property, consistent with general federal tax lien principles applying broadly to owned property. It does not attach only to the already-relinquished original property, is not exempt from attaching to either property, and does not attach to the intermediary's own separate assets.

65. B — B—This levy is generally subject to the same general levy procedures and applicable exemptions that would apply to any other real property the taxpayer owns. It does not carry an automatic exemption due to the exchange, does not carry a mandatory one-year waiting period, and does not require the original intermediary's approval to proceed.

66. C — C—A CNC determination for this taxpayer always generally requires very carefully evaluating whether the property's genuine illiquidity actually and truly prevents accessing funds to satisfy the liability owed here. The property's original relinquished purchase price, the intermediary's reputation, and the taxpayer's own preferred figure are all inadequate bases for this evaluation.

67. A — A—This hearing should raise the specific issue of whether the levy would create genuine hardship given the property's actual current liquidity constraints presented. A general opinion about exchange taxation fairness, total years holding real estate, and the administering agency's identity are not themselves the substantive issue this hearing should focus on.

68. D — C—TFRP addresses unpaid employment trust fund taxes, a genuinely distinct issue entirely separate from the capital gains deferral treatment Section 1031 provides. It does not address the same underlying issue as Section 1031, is not specifically triggered by exchange disallowance, and does not arise only for taxpayers who attempted an exchange.

69. C — C—TFRP liability turns on genuine control over trust fund tax payments, entirely unrelated to whether the business separately engaged in a like-kind exchange transaction at all. Exchanges do not automatically increase TFRP exposure, businesses engaging in exchanges are not exempt from TFRP, and the two use entirely different calculation methods.

70. A — A—Asserting this privilege always requires establishing the communication genuinely concerned tax advice regarding the exchange's structuring, not merely general real estate brokerage guidance provided here. Communication timing during the intermediary's business hours, written versus verbal communication, and copying outside counsel are not themselves the required elements this privilege claim demands.

71. D — D—The identification deadline is a strict statutory requirement not subject to estimation, fundamentally unlike an expense amount where Cohan estimation may apply. Cohan estimates do not apply exclusively to real property exchanges, the deadline is not treated as flexible, and Section 1031 matters generally are not categorically excluded from Cohan.

72. B — B—A proper review always genuinely verifies the examiner's specific factual findings regarding the timing or property qualification issue actually cited as the disallowance's basis. The specific font size, the adjustment's position within the report, and comparative page length to other transaction types are all irrelevant to this genuine substantive verification.

73. B — B—The response should always clearly and quite carefully address whether the specific facts genuinely satisfy each applicable statutory and regulatory requirement that the examiner has actually disputed here. A mere unspecified alternative treatment preference, the representative's prior general experience, and the exchange's convenient timing are not themselves the substantive issue.

74. C — C—This should prompt verification against the taxpayer's actual Form 8824 documentation and how the exchange was genuinely reported on the originally filed return. The intermediary'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.

75. A — A—A proper petition should always clearly identify the specific basis for disputing the examiner's factual findings regarding the timing or property qualification issue actually disputed. A general unsupported opinion about exchanges, mere lifetime exchange count, and merely the selected intermediary are not themselves the required substantive content this petition needs.

76. D — D—Preparation for this dispute should always clearly include a clear, chronological timeline genuinely demonstrating compliance with each applicable statutory deadline involved here. Simply asserting propriety with no supporting timeline, avoiding discussion of deadlines entirely, and deferring entirely to the Officer's own reconstruction all fail to properly advocate for the taxpayer.

77. C — C—Proper settlement documentation should always clearly and specifically specify the specific gain amount ultimately recognized and the resulting genuine tax effect for the applicable tax year. The Officer's general personal preference regarding exchanges, the specific conference room location, and the taxpayer's general satisfaction are not themselves this required documentation content.

78. B — B—The small tax case election is generally available where the disputed amount falls at or below the applicable dollar threshold, regardless of the underlying transaction complexity. Section 1031 exchanges are not categorically excluded from this election, no advance IRS consent is required to elect it, and individual taxpayers can also conduct these exchanges.

79. A — A—A proper protest should always clearly and specifically cite specific evidence supporting the taxpayer's genuine compliance with the applicable identification and receipt deadlines under governing rules. A bare unsupported opinion about fairness, a demand for unquestioning acceptance, and an unsupported general size assertion are all inadequate substitutes for this required evidence.

80. D — D—Proper documentation should always clearly and quite specifically specify which specific portion of the exchange was ultimately disallowed and the resulting genuine recognized gain calculation reached. The Officer's general philosophy regarding partial disallowances, the exchange's original start date, and the taxpayer's general satisfaction are not themselves this required documentation content.

81. D — D—This decision should always carefully weigh whether a neutral mediator could genuinely help resolve the specific remaining factual disagreement over the compliance timing actually disputed. The mediator's unrelated personal real estate experience, a preferred scheduling day, and the representative's unrelated prior mediation experience are not themselves the substantive factors here.

82. C — A—A partial IRS concession generally always reflects a genuine hazards-of-litigation compromise, recognizing real factual uncertainty regarding the timing compliance issue actually disputed. 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.

83. A — A—Effective preparation always genuinely and quite carefully includes anticipating challenges to the taxpayer's compliance timeline and preparing well-supported documentary responses to those specific challenges raised. Assuming the Officer will accept the timeline without scrutiny, preparing only for personally interesting challenges, and preparing only for unrelated matters all reflect inadequate preparation.

84. B — B—This approach should reflect the understanding that strict compliance with statutory deadlines is generally required, leaving genuinely little room for equitable exceptions in most cases. The IRS does not generally grant broad equitable exceptions upon request, the deadlines are not merely advisory, and courts do not routinely excuse missed deadlines regardless of circumstances.

85. B — B—Manual review should always genuinely focus on Form 8824's realized versus recognized gain calculation given the exchange's own specific facts and figures involved here. 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. C — C—This discovery always clearly and genuinely illustrates the importance of reviewing how the replacement property's basis was actually calculated and confirming figures were entered only once. The specific software version, the client's primary-property preference, and the total number of properties are all irrelevant to this genuine substantive single-entry review needed.

87. D — D—This obligation generally always applies to the return as a whole, genuinely including the specific Form 8824 documentation supporting the reported exchange transaction itself. It is not limited to only the unrelated portion, is not maintained as a separate distinct category, and applies regardless of a specific separate IRS request.

88. A — A—Reasonable security should always reflect the genuine sensitivity and complexity of the underlying real estate and financial data actually involved in the exchange itself. 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. A — A—Approval always clearly and genuinely reflects meeting suitability standards regardless of whether the applicant's client base includes taxpayers with genuinely complex returns like Section 1031 exchanges 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 carefully and genuinely 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 Section 1031 exchanges, 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. B — A—Form 8948 should always clearly and specifically reference the specific recognized exception category actually applicable to the paper filing, not the underlying complexity of the exchange issue itself. It should not merely reference the preparer's general opinion of exchange complexity, the specific intermediary used, or the preparer's unrelated past filing history.

93. A — A—A waiver request should not be based on the mere complexity of a client's Section 1031 exchange, since complexity alone is not itself a recognized hardship category. Genuinely documented technology failure, lack of reliable internet access, and a qualifying religious objection are all recognized bases for this specific request instead.

94. C — C—The taxpayer generally must always review the completed return, including Form 8824's reported figures, before signing the Form 8879 authorization for electronic filing purposes. 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. D — D—This retention obligation is the same standard obligation applicable to any other return, regardless of the underlying exchange 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 — B—This confirmation should always include checking whether the specific Form 8824 or attachment genuinely requires separate Form 8453 transmittal under the current applicable instructions in effect. Whether the exchange is favorable or unfavorable, the specific gain amount, and prior exchange history are all irrelevant to this specific transmittal requirement check.

97. B — B—Verification should always carefully confirm the specific identified error has been resolved without inadvertently altering the substantive exchange 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 exchange rules actually involved in the return itself. 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 — D—Training should always address recognizing when complexity like a Section 1031 exchange warrants additional internal review, given the genuinely heightened risk of errors in such calculations performed. No additional review at all, automatic rejection of the engagement, and immediate escalation to the IRS bypassing internal review are all inappropriate responses.

100. C — C—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.