# PRACTICE EXAM 20: 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 renewal deadline, if missed by a short period, generally allows the practitioner to:

A. Continue practicing indefinitely with no renewal ever required going forward
B. Automatically forfeit enrollment permanently with no possibility of any renewal whatsoever
C. File a delinquent renewal application, subject to the applicable requirements and potential late fee
D. Renew only after retaking and passing all three parts of the Special Enrollment Examination

**2.** A practitioner's continuing education hours earned through a course covering federal tax law updates generally qualify toward:

A. Only the ethics-specific requirement, with no application to the general requirement whatsoever
B. The general continuing education requirement, distinct from the separate ethics-specific requirement
C. Neither the general nor the ethics-specific requirement, since updates are treated as non-qualifying
D. Both requirements simultaneously and interchangeably, with no distinction drawn between the two

**3.** A practitioner's obligation to report a change in the practitioner's own employer generally serves primarily to:

A. Allow the IRS to determine the practitioner's new employer's own separate tax compliance status
B. Satisfy a requirement that exists solely for the practitioner's own personal convenience
C. Enable the IRS to calculate a revised continuing education fee based on the new employer

D. Keep the IRS's enrollment records accurate for communication and disciplinary purposes

**4.** OPR's decision to pursue a formal disciplinary proceeding rather than an informal resolution generally reflects consideration of:

A. The severity of the alleged conduct and whether informal resolution would adequately address the concern
B. Only the practitioner's own personal preference regarding which process OPR should actually pursue
C. Only the specific calendar month in which the underlying conduct happened to occur
D. Only whether the practitioner has ever previously interacted with OPR in any capacity

**5.** A practitioner's due diligence obligation regarding a client's claimed dependent exemption generally requires:

A. A reasonable inquiry into whether the claimed dependent genuinely satisfies the applicable relationship and support tests
B. Independent verification directly with the dependent's own school or other institution
C. Automatic disallowance of any dependent claim where the taxpayer cannot immediately produce a birth certificate
D. No inquiry whatsoever, since dependent claims are presumed accurate automatically

**6.** A practitioner's advice regarding a position supported by substantial authority generally may be provided notwithstanding the existence of some contrary authority because:

A. Contrary authority is legally irrelevant to any substantial authority determination under Section 10.34
B. Any contrary authority whatsoever automatically defeats the substantial authority standard entirely
C. The signing obligation is waived wherever any contrary authority of any kind actually exists
D. Substantial authority weighs the quality and quantity of supporting versus contrary authority, not requiring unanimity

**7.** A contingent fee arrangement is generally permitted for representation regarding a claim under a state's own whistleblower program because such claims are:

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

**8.** A practitioner's fee arrangement involving a blended rate covering both the practitioner's and support staff's time generally should be:

A. Left deliberately vague regarding what the blended rate actually includes
B. Clearly explained regarding what the blended rate actually includes and how it was calculated
C. Set at the highest amount the practitioner believes the client might conceivably tolerate paying
D. Structured with no written documentation at all, relying entirely on a verbal understanding

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

A. Always permitted, since longevity-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. Potentially misleading unless the practitioner can substantiate the specific claim with genuine supporting data
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's business partner previously represented the same taxpayer generally should evaluate:

A. Only the total fee the business partner received for the prior engagement with that taxpayer
B. Only whether the practitioner and the business partner share office space at the identical location
C. Only the specific number of years the practitioner and the business partner have worked together
D. Whether confidential information from the partner's prior representation could improperly affect the current matter

**11.** A practitioner's written consent documentation for a conflict arising from a business partner's prior representation of the same client should generally address the specific:

A. Only the practitioner's own personal opinion of how successful the partner's prior representation was
B. Safeguards in place to prevent confidential information from being improperly shared or used
C. Only the specific total dollar amount the client's current matter involves in dispute
D. Only whether the partner's prior representation occurred before or after the current engagement began

**12.** A firm's Section 10.36 procedures should generally address how the firm handles a matter involving overlapping representation by business partners by:

A. Requiring disclosure of the overlap 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 is generally distinguishable from a good-faith error corrected promptly upon discovery in that the violation requires:

A. The practitioner's actual knowledge or reckless disregard at the time the statement was originally made
B. No showing of knowledge or fault of any kind whatsoever regarding the false statement
C. Proof the client also independently knew the specific statement was actually false
D. A separate, prior criminal conviction obtained specifically for the false statement itself

**14.** A practitioner's obligation regarding accuracy of representations generally requires disclosing to the IRS a material fact the practitioner previously omitted, even where the omission was:

A. Deliberate, since only deliberate omissions genuinely trigger any disclosure obligation whatsoever
B. Discovered by the IRS independently, since only self-discovered omissions trigger this disclosure obligation

C. Unintentional, since the accuracy obligation focuses on the resulting inaccuracy rather than the practitioner's original intent
D. Related to a matter that has already reached final, formal resolution of some kind

**15.** A practitioner's written tax opinion should generally identify any limiting assumptions the opinion relies upon to:

A. Satisfy a purely cosmetic formatting requirement with no genuine substantive purpose
B. Guarantee the client a specific favorable outcome regardless of whether the assumptions actually hold true
C. Eliminate the practitioner's own underlying obligation to conduct genuine, substantive analysis
D. Allow the client to genuinely understand the boundaries within which the opinion's conclusions actually apply

**16.** A practitioner's competence obligation regarding a matter involving a client's proposed transaction across multiple tax jurisdictions generally requires:

A. Automatic acceptance of the matter regardless of the practitioner's actual familiarity with the multiple jurisdictions
B. Sufficient understanding of the multi-jurisdictional implications, or appropriate referral to specialists with relevant expertise
C. Automatic decline of the matter with no possibility of developing the needed understanding
D. Reliance exclusively on the client's own understanding of the applicable multi-jurisdictional rules

**17.** A practitioner's advertising claim regarding the firm's specific response time to client inquiries should generally be:

A. Set at the fastest conceivable response time regardless of whether it is actually achieved consistently
B. Omitted entirely from advertising, since response time claims are categorically prohibited
C. Accurate and genuinely reflective of the firm's actual typical response practices
D. Presented without any qualification, even where response times genuinely vary by matter type

**18.** A practitioner's Section 10.20 obligation regarding record submission generally applies to a request properly directed to the practitioner as:

A. Only the practitioner who personally and originally created every specific document requested
B. Only the practitioner who currently holds a specific supervisory job title within the firm
C. Only the practitioner who happens to be physically present when the request is actually delivered
D. The current custodian of the specific records, regardless of who originally created them

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

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

**20.** A practitioner's conflict of interest evaluation should generally be repeated where an existing client's matter reveals the client has acquired a business with a pre-existing tax dispute the practitioner also handles for a different client because:

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

**21.** A practitioner's disreputable conduct violation involving repeated failure to timely file the practitioner's own required returns generally is evaluated with attention to:

A. Only whether the practitioner's failure caused any specific identifiable harm to a client

B. The pattern's overall duration and whether it reflects a genuine disregard for compliance obligations

C. Only the specific total dollar amount of tax ultimately owed on the practitioner's own late-filed returns

D. Only whether the practitioner has ever previously been the subject of any OPR inquiry

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

A. Complying with a valid, properly authorized court order compelling disclosure of the specific information

B. Declining to voluntarily disclose the information to an unrelated third party with no legal basis for the request

C. Declining to discuss the client's matter in a public setting where unrelated third parties could overhear

D. Maintaining reasonable technical and physical safeguards protecting the confidentiality of the information

**23.** A practitioner's decision to decline representing a client whose desired approach the practitioner reasonably believes would require presenting a materially inaccurate factual account is generally:

A. A violation of an implied duty to pursue any approach a client explicitly requests regardless of accuracy

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

C. Permitted only if the practitioner first obtains a formal court ruling confirming the account is inaccurate

D. An appropriate exercise of professional judgment consistent with Circular 230's accuracy standards

**24.** A practitioner's obligation regarding accuracy of representations extends to a formal request for a private letter ruling to the extent the request concerns:

A. Only the factual basis for the requested ruling, never any characterization offered

B. Only any characterization offered, never the factual basis for the requested ruling

C. Both the factual basis for the requested ruling and any characterization of the underlying facts offered

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

**25.** A practitioner's suspension sanction generally is distinguishable from disbarment in that suspension:

A. Always carries a longer duration than any disbarment imposed under a separate Circular 230 proceeding

B. Applies for a specifically defined, limited period, unlike disbarment's more indefinite and extensive nature

C. Carries no genuine disciplinary significance, unlike disbarment which is treated as more serious

D. Applies only to attorneys, while disbarment applies exclusively to Enrolled Agents specifically

**26.** A practitioner's monetary penalty under Section 10.50 generally is calculated with reference to:

A. A single fixed amount identical for every violation regardless of the underlying circumstances

B. The practitioner's own personal net worth, unrelated to the specific violation's actual circumstances

C. The specific circumstances of the violation, including any gross income derived from the underlying conduct

D. The specific harmed client's own personal net worth, unrelated to the practitioner's underlying conduct

**27.** A practitioner's reinstatement following disbarment generally requires OPR to weigh the public interest in reinstatement against:

A. Only 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. Only the practitioner's own personal opinion regarding whether the original sanction was fair

D. The public interest in maintaining confidence in the integrity of practice before the IRS

**28.** A practitioner's obligation to disclose a conflict extends to a conflict arising from the practitioner's own prior public service in a role involving tax policy, requiring the practitioner to generally:

A. Evaluate whether applicable post-employment restrictions and confidentiality obligations affect the current representation

B. Simply decline every future related matter entirely with no disclosure or evaluation ever required

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

D. Disclose only to clients who specifically and independently ask about the practitioner's prior government service

**29.** A practitioner's overall approach to identifying potential conflicts for a matter involving a client obtained through a paid marketing campaign should generally include:

A. An assumption that a marketing-acquired client automatically presents no possible conflict of any kind

B. Skipping the conflict check entirely, since marketing-acquired clients are presumed to be pre-vetted

C. The same systematic conflict check applied to any other matter, regardless of the client acquisition method

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

**30.** A practitioner's overall professional obligations under Circular 230 reflect a recognition that the tax system's voluntary compliance model depends significantly on:

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

B. Taxpayer confidence that practitioners will provide honest, competent guidance consistent with the law

C. The IRS bearing sole and exclusive responsibility for identifying every inaccurate position without practitioner input

D. Practitioners existing solely to generate revenue for themselves with no broader systemic function

**31.** A practitioner's overall commitment to Circular 230's standards is best understood as reflecting a broader professional identity built on:

A. Technical competence alone, with ethical considerations treated as entirely secondary and optional

B. Ethical integrity alone, with technical competence treated as entirely secondary and optional

C. Neither technical competence nor ethical integrity, since the credential is treated as purely administrative

D. Both technical competence and genuine ethical integrity, neither of which alone is sufficient

**32.** A taxpayer's power of attorney should generally clearly identify the specific matters covered to avoid:

A. Ambiguity that could lead the IRS to either narrowly or overly broadly interpret the granted authorization

B. Any requirement to specify which particular tax years the authorization actually covers

C. The need for the taxpayer to actually sign the completed authorization form

D. Any requirement to identify the specific representative being granted the authorization

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

A. Discuss the specifically covered matters with the assigned IRS employee

B. Sign a specific compromise on behalf of the taxpayer absent specific separate authorization for that activity

C. Receive copies of notices regarding the specifically covered matters

D. Advocate the taxpayer's position at a scheduled examination interview

**34.** A taxpayer's power of attorney generally remains valid notwithstanding the representative's temporary illness because:

A. IRS regulations specifically require every power of attorney to be refiled after any representative illness

B. A representative's health status is treated as a mandatory element of a validly executed authorization

C. The authorization identifies the representative as an individual whose authority continues absent formal revocation

D. Temporary illness automatically and categorically revokes any existing power of attorney on file

**35.** A taxpayer's assessment statute of limitations generally is tolled during the period a Taxpayer Assistance Order request that also raises the underlying liability remains pending because:

A. TAO requests are always automatically granted, eliminating any need for tolling consideration

B. The assessment statute never applies to any matter TAS has ever become involved in

C. TAS lacks any authority whatsoever to address matters involving the assessment statute

D. This specific circumstance is among the statutorily recognized tolling events affecting the assessment statute

**36.** A taxpayer's Form 872 extension request should generally be evaluated by the practitioner against the specific stage of the examination because:

A. The genuine need for additional time often varies depending on how far the examination has actually progressed

B. IRS regulations specifically require different extension lengths depending solely on the examination's stage

C. The examination's stage automatically determines the exact extension length without any further practitioner input

D. Extensions are only ever available during the very earliest stage of any examination

**37.** A taxpayer's position supported by a favorable outcome the taxpayer personally achieved in a prior, unrelated administrative appeal generally provides:

A. Fully binding legal precedent the IRS is legally obligated to follow in the current matter

B. No relevance whatsoever to the current matter, since prior unrelated appeals are treated as entirely irrelevant

C. Some practical comfort but not binding legal precedent, since prior unrelated appeal results do not bind future matters

D. Automatic immunity from any further examination of the identical issue in any future year

**38.** A taxpayer's reliance on a position an IRS publication states in plain, unambiguous language, later found technically inaccurate, generally may provide support for reasonable cause because:

A. IRS publications are always treated as legally binding, superseding any conflicting Code or regulation provision
B. The IRS itself created and disseminated the guidance the taxpayer reasonably relied upon in good faith
C. Reliance on any published material whatsoever automatically and unconditionally establishes reasonable cause
D. Publications are treated as carrying no genuine informational value regarding the IRS's own position

**39.** A taxpayer's disclosure of a position through Form 8275 should generally be reviewed by the practitioner before filing to confirm the disclosure:

A. Uses language deliberately calibrated to minimize the IRS's ability to actually understand the position
B. Omits any facts that might reasonably lead the IRS to further scrutinize the disclosed position
C. Is worded ambiguously enough to preserve maximum flexibility in later characterizing the position
D. Accurately and completely describes the relevant facts and the specific position actually taken

**40.** A taxpayer's genuinely transparent position that nonetheless results in a substantial understatement penalty generally illustrates that:

A. Transparency alone does not guarantee penalty avoidance, though it remains relevant to the overall analysis
B. Transparency is entirely irrelevant to any penalty analysis whatsoever under the applicable Code provisions
C. Any penalty assessed despite transparency necessarily reflects IRS bad faith in the underlying determination
D. Transparent positions can never result in any penalty being properly assessed under any circumstances

**41.** The Taxpayer Advocate Service's ability to issue a Taxpayer Assistance Order generally is subject to override by:

A. Any individual IRS employee who happens to personally disagree with the TAO's substance

B. A sufficiently senior IRS official under the specific, limited circumstances the applicable procedures allow

C. No IRS official whatsoever, since TAOs are treated as absolutely final and unreviewable within the IRS

D. The taxpayer's own representative, who may unilaterally withdraw the TAO at any time

**42.** A Form 911 request should generally be supported by documentation demonstrating:

A. Only the taxpayer's own general preference for faster processing with no specific hardship shown

B. Only the taxpayer's representative's own personal opinion regarding the IRS's overall efficiency

C. The specific nature of the hardship and how normal administrative channels have failed to resolve it

D. Only a general assertion that the taxpayer disagrees with the underlying tax liability itself

**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 offer in compromise matters of any kind

B. Only matters the EA personally prepared the underlying filing for

C. Only matters involving amounts below a specific dollar threshold

D. A rejected offer in compromise on Doubt as to Liability grounds, in addition to other tax matters

**44.** A practitioner's preliminary assessment of a new matter involving a taxpayer's participation in an employee stock ownership plan should generally include confirming:

A. The specific plan's structure and its implications for the taxpayer's applicable tax treatment

B. Only the specific company's overall stock price performance history

C. Only the taxpayer's personal opinion regarding employee stock ownership plans generally

D. Only the specific number of coworkers who also participate in the same plan

**45.** A conflict check's scope for a matter involving multiple employees of the same employer participating in a stock ownership plan should generally extend to:

A. Whether the practitioner's representation of one employee could create adverse interests with another employee client

B. Only the employer's own formal legal name, with no inquiry into individual employee participants

C. Only the specific industry in which the employer conducts its business operations

D. Only the total number of years the plan has been in existence

**46.** A taxpayer's account transcript entry reflecting a disqualifying disposition of stock acquired through an employee plan generally indicates:

A. An automatic, complete forgiveness of any resulting tax liability regardless of the disqualifying disposition

B. An entry unrelated to any actual IRS action, requiring no further explanation at all

C. The IRS identified a sale occurring before the applicable holding period requirements were actually satisfied

D. A penalty specifically assessed against the taxpayer for having participated in the plan

**47.** A practitioner's analysis challenging a proposed adjustment involving a disqualifying disposition should generally focus on:

A. Only the taxpayer's personal opinion regarding whether the disqualifying disposition rules are generally fair

B. Only the specific examiner's overall years of experience conducting examinations

C. Only the specific company's overall stock price performance during the relevant period

D. Identifying specific facts demonstrating the actual holding period requirements were genuinely satisfied

**48.** A requesting spouse's Innocent Spouse Relief claim involving a disqualifying disposition the other spouse solely controlled generally should address:

A. Only the requesting spouse's personal opinion regarding stock ownership plans generally

B. Whether the requesting spouse had actual knowledge of the timing decisions leading to the disqualifying disposition

C. Only the couple's total combined years of marriage before the disposition occurred

D. Only the requesting spouse's current occupation and specific employer

**49.** A practitioner's documentation for a matter involving a challenge to a disqualifying disposition determination should generally address the specific:

A. Only the couple's original choice of wedding venue and related details
B. Only the couple's shared taste in home decor and furnishings
C. Dates of grant, exercise, and sale measured against the applicable statutory holding period requirements
D. Only the couple's preferred vacation destinations over the years

**50.** A practitioner's early assessment of potential criminal exposure in a matter involving a taxpayer's stock ownership plan participation should generally weigh:

A. Only the specific company's overall stock price performance during the relevant period
B. Only the client's overall general demeanor during a single initial consultation meeting
C. Only the specific total number of shares the taxpayer acquired through the plan
D. Whether the taxpayer's reporting reflects genuine good-faith compliance or deliberate concealment of a disqualifying event

**51.** A practitioner who identifies potential criminal exposure in a stock ownership plan matter should generally avoid:

A. Advising the client to simply amend returns without first considering the full scope of the potential exposure
B. Advising the client to consult with counsel experienced in tax controversy matters
C. Documenting the specific reasoning behind any referral made to specialized counsel
D. Continuing to handle unrelated civil matters for the client within the practitioner's actual competence

**52.** A Kovel arrangement's application to a stock ownership plan matter generally requires the accountant's analysis to be:

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

**53.** A practitioner's case-building documentation for a stock ownership plan matter should generally include:

A. Plan documents, grant agreements, and transaction records supporting the actual holding period calculation
B. Only the taxpayer's own general assertion the holding period was satisfied with no supporting documentation
C. Only the plan administrator's general marketing materials describing the plan's overall benefits
D. Only the taxpayer's personal opinion regarding the overall fairness of the holding period requirements

**54.** A practitioner's overall case assessment for a stock ownership plan matter should generally distinguish between:

A. Only shares acquired before versus after a specific arbitrary calendar date unrelated to the plan
B. Shares acquired through a qualifying transaction and shares acquired through a non-qualifying transaction
C. Only shares held in one specific brokerage account versus shares held in another account
D. Only shares with an even-numbered lot versus shares with an odd-numbered lot

**55.** A practitioner's overall case-building strategy for a matter involving numerous stock lots requiring individual holding-period analysis should generally include:

A. Only a narrative description with no systematic tracking of any kind provided at all
B. Only the plan administrator's own proposed characterization of each lot, accepted without independent review
C. Avoiding any systematic tracking entirely to prevent inviting additional scrutiny
D. A systematic spreadsheet or similar tool tracking each lot's grant, exercise, and sale dates

**56.** A practitioner's overall preliminary case assessment process for a stock ownership plan matter should generally include documenting:

A. Only the practitioner's own personal fee arrangement for handling the specific matter
B. Only the specific software the practitioner intends to use going forward in the matter
C. The specific plan type and its applicable statutory holding period and qualification requirements
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 holding period should generally document:

A. The specific circumstances genuinely preventing timely awareness, such as documented incorrect plan administrator guidance
B. Only the taxpayer's own personal, subjective belief that reasonable cause genuinely exists
C. Only the specific total dollar amount of the transaction at issue in the matter
D. Only the specific plan administrator the taxpayer originally used for the transaction

**58.** A practitioner's overall approach to preliminary case assessment for a genuinely complex multi-lot stock plan matter should generally reflect:

A. Immediate commitment to a specific strategy before any meaningful fact development has occurred
B. Careful, thorough fact development before committing to a specific strategic approach
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 stock ownership plan matter ultimately aims to ensure the taxpayer's holding period position is:

A. Automatically favorable to the taxpayer regardless of what the actual facts developed ultimately show
B. Automatically unfavorable to the taxpayer whenever shares are sold, regardless of the actual facts

C. Genuinely supported by the actual facts developed, not assumed based on the mere fact shares were sold
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 stock ownership plan matter should generally reflect an understanding that the applicable holding period rules:

A. Apply flexibly on a case-by-case basis with no genuine precise dates actually involved
B. Never actually warrant any additional documentation beyond what a routine matter would require
C. Are legally prohibited from ever being examined by the IRS under any circumstances whatsoever
D. Involve precise, date-sensitive calculations warranting careful, individualized documentation

**61.** A taxpayer's short-term payment plan proposal for a taxpayer with recently disqualified stock plan proceeds generally should account for:

A. Only the taxpayer's personal preference for the specific word "short-term" over other terminology
B. Only the taxpayer's total combined assets regardless of their actual liquidity or availability
C. Whether the disqualifying disposition created a tax liability affecting the taxpayer's current available cash
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 disqualified stock plan proceeds generally requires the Collection Information Statement to reflect:

A. Only the taxpayer's financial position exactly as it existed before the disqualifying disposition ever occurred
B. The current post-disposition financial picture, including any resulting cash actually received from the sale
C. Only the specific plan administrator's own general financial standing and reputation
D. Only the specific brokerage firm through which the disqualified shares were originally sold

**63.** A taxpayer's offer in compromise for a taxpayer holding remaining shares after a partial disqualifying disposition generally requires the RCP calculation to reflect:

A. The remaining shares' actual current fair market value, not their original grant-date value
B. Only the taxpayer's personal preference for how the remaining shares should ultimately be valued
C. Only the disqualified shares' sale price from the earlier, already-completed disposition
D. Only the specific plan administrator's own general fee schedule for managing the plan

**64.** A lien filed against a taxpayer's remaining stock plan shares generally attaches:

A. Only to shares already sold in the earlier disqualifying disposition, not the remaining shares still held
B. To neither the remaining nor the already-sold shares, since plan shares are treated as exempt from any lien
C. Only to the plan administrator's own separate corporate assets used to manage the plan
D. To the taxpayer's interest in the remaining shares, consistent with general federal tax lien principles

**65.** A levy on a taxpayer's remaining stock plan shares generally is subject to:

A. An automatic exemption from levy specifically because the shares were acquired through an employee plan
B. The same general levy procedures and exemptions applicable to any other investment property the taxpayer owns
C. A mandatory waiting period of exactly one full year following the disqualifying disposition before any levy may occur
D. Approval requirements from the plan administrator before any levy may actually proceed

**66.** A Currently Not Collectible determination for a taxpayer whose only significant asset is illiquid, restricted stock plan shares generally requires evaluating:

A. Only the shares' original grant-date value from many years in the past
B. Only the specific plan administrator's own general reputation in the industry
C. Only whichever figure the taxpayer happens to personally prefer be used for this determination

D. Whether the restrictions genuinely prevent the taxpayer from accessing funds to pay the liability

**67.** A taxpayer's CDP hearing addressing a proposed levy on restricted stock plan shares should generally raise the specific issue of:

A. Only the taxpayer's general personal opinion regarding the fairness of stock plan taxation generally
B. Only the specific total number of years the taxpayer has participated in employee stock plans generally
C. Whether the levy would create genuine hardship given the shares' actual current restriction status
D. Only the specific federal agency responsible for regulating stock ownership plans generally

**68.** A TFRP assessment is generally unrelated to a stock ownership plan disqualifying disposition matter because TFRP addresses:

A. Unpaid employment trust fund taxes, a distinct issue from the individual income tax consequences of a disposition
B. The exact same underlying tax issue a disqualifying disposition itself addresses, applied to a different taxpayer type
C. A penalty specifically triggered whenever a disqualifying disposition occurs under an employee plan
D. An issue that only arises for taxpayers who have previously participated in a stock ownership plan

**69.** A responsible person's TFRP liability generally is unrelated to whether the person separately participated in the employer's stock ownership plan because:

A. TFRP liability turns on control over trust fund payments, not on the person's own separate stock plan participation
B. Stock plan participation automatically increases the responsible person's TFRP exposure regardless of any other factor
C. Participants in stock ownership plans are categorically exempt from any TFRP assessment whatsoever
D. TFRP liability is calculated using the same formula applied to calculate stock plan disqualification consequences

**70.** A practitioner's Section 7525 privilege claim regarding communications about the tax treatment of a stock plan disposition generally requires establishing the communication:

A. Occurred during the plan administrator's normal business hours specifically
B. Was communicated in writing rather than verbally during a meeting
C. Was copied to the taxpayer's outside legal counsel as a matter of course
D. Genuinely concerned tax advice regarding the disposition, not merely general investment guidance

**71.** A taxpayer's Cohan estimate is generally inapplicable to establishing whether stock plan shares satisfied the applicable holding period because:

A. Cohan estimates apply exclusively to matters involving employee stock ownership plans specifically
B. The holding period is treated as flexible and subject to reasonable estimation under applicable case law
C. The holding period is a strict statutory requirement not subject to estimation, unlike an expense amount
D. Stock plan matters are categorically excluded from any application of the Cohan doctrine whatsoever

**72.** A practitioner's review of an RAR's proposed adjustment involving a disqualifying disposition should generally verify the examiner's:

A. Presentation using a specific font size within the printed report document
B. Specific factual findings regarding the actual grant, exercise, and sale dates cited as the basis for disqualification
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 disqualifying disposition adjustment should generally address whether:

A. The specific dates genuinely satisfy each applicable statutory holding period requirement the examiner disputed

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

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

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

**74.** A CP-2000 notice's proposed adjustment involving a discrepancy related to a stock plan disposition should generally prompt verification against:

A. Only the specific plan administrator's overall general reputation in the industry

B. The taxpayer's actual Form 3921 or 3922 documentation and how the disposition was genuinely reported

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

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

**75.** A taxpayer's Tax Court petition contesting a disqualifying disposition determination should generally identify:

A. Only the taxpayer's own general, unsupported opinion regarding employee stock plans generally

B. Only the total number of stock plans the taxpayer has participated in over the taxpayer's lifetime

C. The specific basis for disputing the examiner's factual findings regarding the applicable holding period dates

D. Only the specific plan administrator the taxpayer originally used for the transaction

**76.** A taxpayer's Appeals conference preparation for a disqualifying disposition dispute should generally include:

A. Simply asserting the disposition was proper with no supporting timeline or documentation provided

B. Avoiding any discussion of the applicable holding period rules to prevent inviting additional scrutiny

C. Deferring entirely to the Appeals Officer to independently reconstruct the disposition's actual timeline

D. A clear, chronological timeline demonstrating compliance with each applicable statutory holding period

**77.** A taxpayer's decision to accept an Appeals settlement resolving a disqualifying disposition dispute should generally be documented to specify:

A. Only the Appeals Officer's own general personal preference regarding stock plans 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 disqualifying disposition dispute where the disputed amount:

A. Involves any disqualifying disposition whatsoever, since such dispositions are categorically excluded from this election
B. Falls at or below the applicable dollar threshold, regardless of the underlying disposition'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 hold stock plan shares

**79.** A taxpayer's formal written protest for a disqualifying disposition dispute should generally cite specific evidence supporting:

A. Only the taxpayer's own general, unsupported opinion regarding which treatment seems fairer
B. Only a demand that the examiner simply accept the taxpayer's proposed treatment without question
C. Only a general assertion that the examiner's proposed adjustment is obviously too large with no further detail
D. The taxpayer's compliance with the applicable statutory holding period requirements under the governing plan rules

**80.** A taxpayer's Appeals settlement for a disqualifying disposition dispute involving a partial disallowance generally should be documented to specify:

A. Which specific portion of the disposition was ultimately disallowed and the resulting recognized gain calculation
B. Only the Appeals Officer's own general personal philosophy regarding partial disallowances generally
C. Only the specific date the original stock grant first occurred
D. Only the taxpayer's general overall satisfaction with how the dispute was ultimately resolved

**81.** A taxpayer's decision to pursue Post-Appeals Mediation for a disqualifying disposition dispute should generally weigh whether:

A. The specific mediator happens to have personal experience with employee stock ownership plans
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 holding-period dates

**82.** A taxpayer's Appeals conference outcome for a disqualifying disposition dispute resulting in a partial concession by the IRS generally reflects:

A. A hazards-of-litigation compromise recognizing genuine factual uncertainty regarding the holding-period dates disputed
B. A purely arbitrary split with no genuine underlying analytical basis whatsoever
C. An automatic default rule the IRS applies to every single disqualifying disposition dispute
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 disqualifying disposition Appeals conference should generally include:

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

**84.** A practitioner's overall approach to representing a taxpayer in a disqualifying disposition dispute should generally reflect an understanding that:

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

**85.** A preparer's software calculation for a return involving stock plan compensation should generally still involve manual review of:

A. Whether the compensation element was properly included in wages and the basis adjustment was correctly applied
B. Only the federal portion, since state-level stock plan calculations are treated as automatically reliable
C. No portion of the return at all, since stock plan 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 stock plan'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 lot to treat as sold first
C. Only the total number of lots involved in the overall stock plan
D. How the adjusted basis was actually calculated and whether figures were entered only once

**87.** A preparer's Section 6107(b) obligation for a return involving stock plan compensation generally applies to:

A. Only the portion of the return unrelated to the stock plan specifically

B. Only a separate, distinct recordkeeping category maintained apart from the general return records

C. The return as a whole, including the specific Form 3921 or 3922 documentation supporting the reported figures

D. Only if the IRS specifically requests the stock plan documentation be separately retained

**88.** A preparer's data security obligations for records supporting a complex stock plan matter should generally reflect:

A. Only whatever security measures happen to be least expensive for the firm to implement generally

B. The genuine sensitivity and complexity of the underlying compensation and financial data involved

C. Only whatever security measures a single, specific competitor firm happens to currently use

D. No specific evaluation criteria at all, since stock plan records are treated as purely routine

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

A. Own tax compliance history has actually been reviewed as part of the application process

B. Background has actually been reviewed as part of the applicable application process

C. Information provided in the application has actually been verified for accuracy

D. Client base includes taxpayers with genuinely complex returns, such as those involving stock plan compensation

**90.** A firm's decision to accept clients requiring stock plan compensation reporting should generally include evaluating whether the firm has:

A. Simply changed its office coffee supplier with no other change involved

B. Sufficient internal expertise or access to appropriate resources to competently handle such matters

C. Updated its website's visual design with no other substantive change involved

D. Renewed its general liability insurance policy at the exact same coverage terms as before

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

A. Returns involving routine matters and returns involving genuinely complex issues like stock plan compensation

B. Returns filed for individual taxpayers and returns filed for business entities

C. Returns filed within a specific calendar year and returns filed in an entirely different calendar year

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 stock plan issue should generally reference:

A. Only the preparer's own general opinion regarding the complexity of stock plan rules generally

B. Only the specific plan administrator the exchange actually used to facilitate the transaction

C. The specific recognized exception category actually applicable, not the underlying complexity of the stock plan issue itself

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 stock plan compensation, 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 stock plan compensation generally requires the taxpayer to:

A. Personally understand every technical detail of the basis adjustment calculation before signing the authorization

B. Obtain independent verification of the compensation calculation from a completely separate practitioner

C. Review the completed return, including the reported compensation and basis figures, before signing the authorization

D. Sign a supplemental form specifically acknowledging the stock plan's inherent complexity

**95.** An ERO's Form 8879 retention obligation for a return involving stock plan compensation generally is:

A. Extended to a longer period specifically because of the stock plan's underlying complexity

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

C. Waived entirely for returns involving stock plans given their genuinely specialized nature

D. Subject to a completely separate set of retention rules unique to stock plan returns specifically

**96.** A preparer's confirmation of Form 8453 requirements for a return involving a stock plan compensation attachment should generally include checking:

A. Only whether the stock plan compensation happens to be favorable or unfavorable to the taxpayer

B. Only the specific total dollar amount of the resulting compensation figure

C. Only whether the taxpayer has previously received stock plan compensation in any prior tax year

D. Whether the specific attachment requires separate transmittal under current applicable instructions

**97.** A rejected return involving stock plan compensation should generally have its correction verified to confirm:

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

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

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

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

**98.** A preparer's overall response protocol for rejections affecting returns with stock plan compensation issues should generally include:

A. Escalation to a more experienced staff member familiar with the specific stock plan 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 stock plan 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 stock plan compensation, warrants:

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

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

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

## Practice Exam 20: Answer Key and Explanations

**1. C** — A—A short delinquency period generally always allows filing a delinquent renewal application, subject to the applicable requirements and any potential late fee actually involved. It does not permit continuing to practice indefinitely with no renewal, does not result in automatic permanent forfeiture, and does not require retaking the full SEE.

**2. B** — B—Federal tax law update hours will generally and always qualify toward the general continuing education requirement, genuinely distinct from the separate ethics-specific requirement each practitioner must satisfy. They do not qualify only toward ethics, are not treated as non-qualifying for either requirement, and do not interchangeably satisfy both requirements simultaneously.

**3. D** — D—This obligation serves primarily to keep the IRS's enrollment records genuinely accurate for communication and disciplinary purposes going forward. It is not intended to allow assessing the new employer's own tax compliance, does not exist solely for the practitioner's personal convenience, and is unrelated to calculating any continuing education fee.

**4. A** — A—This decision reflects consideration of the severity of the alleged conduct and whether informal resolution would genuinely adequately address the underlying concern raised. The practitioner's own procedural preference, the specific calendar month of the conduct, and prior OPR interaction history are not themselves the substantive factors this decision turns on.

**5. A** — A—Due diligence requires a reasonable inquiry into whether the claimed dependent genuinely satisfies the applicable relationship and support tests under the Code itself. Direct verification with the dependent's school is not required, automatic disallowance absent an immediate birth certificate is inappropriate, and no inquiry at all misstates this reasonable-inquiry standard.

**6. D** — D—Substantial authority always genuinely weighs the quality and quantity of supporting versus contrary authority, not requiring complete unanimity among all available sources cited. Contrary authority is not legally irrelevant to this determination, does not automatically defeat the standard by its mere existence, and does not waive the signing obligation entirely.

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

**8. B** — B—A blended rate arrangement should be clearly explained regarding what the rate actually includes and genuinely how it was calculated for the client's understanding. Leaving what it includes deliberately vague, setting the rate at the highest conceivably tolerable amount, and relying entirely on a verbal understanding are all inappropriate approaches.

**9. C** — C—An unsubstantiated claim of "decades of success" is potentially misleading unless the practitioner can actually substantiate that specific claim with genuine supporting data available. Longevity-based language is not categorically exempt from scrutiny, does not require every competitor's agreement, and is not automatically dismissed as harmless puffery under Circular 230's standards.

**10. D —** D—This particular analysis always genuinely evaluates whether confidential information from the partner's prior representation could genuinely and improperly affect the current matter's overall handling. The partner's prior fee amount, whether they share identical office space, and their years working together are not themselves the substantive factors this analysis turns on.

**11. B —** B—Proper documentation should address the specific safeguards actually in place to prevent confidential information from being improperly shared or used in the current matter. The practitioner's own opinion of the prior representation's success, the disputed dollar amount, and the timing relative to the current engagement are not this required content.

**12. A** — A—Sound procedures always require disclosure of the overlapping representation and a genuine evaluation of whether it actually presents a conflict given the 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 requires the practitioner's actual knowledge or reckless disregard at the specific time the statement was originally made, distinguishing it from a promptly corrected good-faith error. No fault requirement at all would improperly sweep in honest mistakes, the client's own separate knowledge is not required, and no prior criminal conviction is required.

**14. C** — C—This obligation always requires disclosure even where the original omission was unintentional, since the accuracy obligation focuses on the resulting inaccuracy rather than the original intent held. It is not limited to only deliberate omissions, is not limited to only IRS-discovered omissions, and does not apply only after final resolution.

**15. D** — D—Identifying limiting assumptions allows the client to genuinely understand the actual boundaries within which the opinion's conclusions genuinely apply to the specific matter. This is not a purely cosmetic formatting requirement, does not guarantee a favorable outcome regardless of whether assumptions hold, and does not eliminate the underlying analytical obligation.

**16. B** — B—Competence here always genuinely requires sufficient understanding of the multi-jurisdictional implications, or appropriate referral to specialists with relevant genuine expertise in those specific jurisdictions actually involved here. Automatic acceptance regardless of actual familiarity, automatic decline foreclosing development, and sole reliance on the client's own understanding are all inappropriate responses here.

**17. C** — C—A response time claim should be accurate and genuinely reflective of the firm's actual typical response practices, not an aspirational figure rarely achieved. Setting it at the fastest conceivable time regardless of consistency, categorically omitting all such claims, and presenting it without appropriate qualification where times genuinely vary are all inappropriate approaches.

**18. D** — D—This obligation applies to a request properly directed to the practitioner as the current custodian of the specific records, regardless of who originally created them. It is not limited to only the original document creator, is not limited to a specific supervisory title, and does not depend on physical presence when delivered.

**19. B** — B—Failing to identify clearly applicable Lifetime Learning Credit eligibility may reflect a genuine shortfall in the competence and diligence standards Circular 230 expects of practicing professionals. This is not automatically acceptable simply because not every credit must be identified, is not outside Circular 230's concern, and does not require proving deliberate withholding by the client.

**20. A** — A—Reevaluation is warranted because the newly discovered overlap 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. B** — B—This violation is evaluated with attention to the pattern's overall duration and whether it genuinely reflects a disregard for the practitioner's own compliance obligations. Client harm is not required since this addresses the practitioner's own compliance, the specific dollar amount owed alone, and prior OPR inquiry history are not themselves the primary consideration.

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

**23. D** — D—Declining representation reasonably believed to require presenting a materially inaccurate account is an appropriate exercise of judgment consistent with Circular 230's accuracy standards. There is no implied duty to pursue any approach regardless of accuracy, this decision carries genuine professional significance, and no prior court ruling is required to properly decline.

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

**25. B** — B—A suspension always genuinely applies for a specifically defined, limited period, unlike disbarment's more indefinite and genuinely more extensive disciplinary nature overall. A suspension is not always longer in duration than disbarment, does carry genuine disciplinary significance, and is not limited to attorneys while disbarment applies to Enrolled Agents specifically.

**26. C** — C—This penalty is generally calculated with reference to the specific circumstances of the violation, including any gross income genuinely derived from the underlying conduct. It is not a single fixed amount for every violation, is not based on the practitioner's own unrelated net worth, and is not based on the client's own unrelated net worth.

**27. D** — D—OPR weighs the public interest in reinstatement against the public interest in maintaining confidence in the overall integrity of practice before the IRS itself. The practitioner's own financial need, mere elapsed years alone, and the practitioner's own opinion about the original sanction's fairness are not themselves this required weighing consideration.

**28. A** — A—This scenario always requires evaluating whether applicable post-employment restrictions and confidentiality obligations genuinely affect the specific current representation actually being handled. Simply declining every related matter with no disclosure, ignoring the prior service as unrelated, and disclosing only upon a specific inquiry all fail to satisfy this proactive disclosure obligation.

**29. C** — C—A marketing-acquired prospective client should undergo the same systematic conflict check applied to any other prospective client, regardless of the particular acquisition method used. Assuming automatic absence of conflict, skipping the check entirely, and relying exclusively on the marketing platform's own assurance are all inadequate approaches to this necessary check.

**30. B** — B—These obligations always genuinely reflect the recognition that voluntary compliance depends significantly on taxpayer confidence that practitioners will provide honest, competent guidance consistent with the law. Practitioners are not meant to have no independent role, the IRS does not bear sole responsibility, and practitioners serve a genuine broader systemic function.

**31. D** — A—This commitment reflects a broader professional identity built on both technical competence and genuine ethical integrity, since neither alone is genuinely sufficient on its own. It does not rest on technical competence alone with ethics as secondary, does not rest on ethics alone with competence as secondary, and is not purely administrative.

**32. A** — A—Clear identification of covered matters avoids ambiguity that could lead the IRS to either narrowly or overly broadly interpret the authorization actually granted. This clarity does not eliminate the separate requirement to specify tax years, does not eliminate the taxpayer's signature requirement, and does not eliminate identifying the specific representative.

**33. B** — B—A standard power of attorney generally always never authorizes signing a specific compromise on the taxpayer's own behalf 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 valid because it identifies the representative as an individual whose authority genuinely continues absent formal revocation of some kind actually occurring. There is no regulation requiring refiling after illness, health status is not itself a mandatory form element, and temporary illness does not automatically revoke the authorization.

**35. D** — D—This specific circumstance, a TAO request also raising the underlying liability, is among the statutorily recognized tolling events actually affecting the assessment statute. TAO requests are not always automatically granted, the assessment statute does apply to matters TAS addresses, and TAS does have authority to address matters involving this statute.

**36. A** — A—This request should be evaluated against the examination's specific stage because the genuine need for additional time often varies depending on actual progress made. There is no regulation mandating different lengths based solely on stage, the stage does not automatically determine the length without input, and extensions are not limited to only the earliest stage.

**37. C** — C—A favorable prior unrelated appeal result provides some genuine practical comfort but does not constitute binding legal precedent for the current, separate matter. This is not fully binding precedent the IRS must follow, is not entirely irrelevant, and does not confer automatic future immunity from examination of the identical issue.

**38. B** — B—This support exists because the IRS itself genuinely created and disseminated the specific guidance the taxpayer reasonably relied upon in good faith. IRS publications are not always legally binding superseding the Code or regulations, reliance does not automatically and unconditionally establish reasonable cause, and publications do carry genuine informational value.

**39. D** — D—This review should always very carefully confirm the disclosure accurately and completely describes the relevant facts and the specific position actually taken on the return filed. Deliberately minimizing IRS understanding, omitting facts that might invite scrutiny, and using ambiguous wording for later flexibility all undermine the disclosure's genuine protective purpose.

**40. A** — A—This scenario illustrates that transparency alone does not guarantee complete penalty avoidance, though it remains a genuinely relevant factor in the overall analysis. Transparency is not entirely irrelevant to penalty analysis, a resulting penalty does not necessarily reflect bad faith, and transparent positions can indeed still result in a properly assessed penalty.

**41. B** — B—A TAO may generally be overridden by a sufficiently senior IRS official under the specific, limited circumstances the applicable governing procedures actually allow. It is not subject to override by any individual employee who merely disagrees, is not absolutely final and unreviewable, and cannot be unilaterally withdrawn by the taxpayer's representative.

**42. C** — C—A proper Form 911 request should be supported by documentation demonstrating the specific nature of the hardship and how normal administrative channels have genuinely failed. A mere general preference for faster processing, the representative's opinion of IRS efficiency, and a bare disagreement with the underlying liability are not themselves this required documentation.

**43. D** — D—An EA's unlimited practice rights extend to a rejected Doubt as to Liability offer in compromise, in addition to other tax matters, reflecting the genuinely broad scope of authority. This is not limited to only individual income tax matters, is not limited to filings the EA personally prepared, and carries no dollar threshold limiting the matter's scope.

**44. A** — A—A proper preliminary assessment confirms the specific plan's structure and its genuine implications for the taxpayer's applicable tax treatment under the governing rules. The company's stock price history, the taxpayer's opinion of such plans generally, and the number of participating coworkers are not themselves the substantive factors this assessment should focus on.

**45. A** — A—A thorough conflict check should always extend to whether representing one employee could genuinely create adverse interests with another employee client also participating in the plan. The employer's formal legal name alone, the employer's industry, and the plan's years in existence are not themselves sufficient without this broader interest-focused inquiry.

**46. C** — A—This entry generally indicates the IRS identified a sale occurring before the applicable holding period requirements were actually satisfied under the governing rules. 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 participated in the plan.

**47. D** — D—A proper challenge focuses on identifying specific facts genuinely demonstrating the actual applicable holding period requirements were genuinely satisfied by the taxpayer. The taxpayer's general opinion of the rules' fairness, the examiner's years of experience, and the stock's price performance are not themselves the substantive basis this challenge should focus on.

**48. B** — B—This claim should always address whether the requesting spouse genuinely had actual knowledge of the timing decisions actually leading to the disqualifying disposition at issue here. The requesting spouse's general opinion of stock plans, total years married, and current occupation are not themselves the primary consideration this specific knowledge-focused claim requires.

**49. C** — C—Proper documentation always very clearly addresses the specific dates of grant, exercise, and sale measured against the applicable statutory holding period requirements actually governing the plan itself. Wedding venue choice, shared home decor taste, and vacation preferences are not themselves the substantive factors this specific holding-period challenge should actually address.

**50. D** — D—A sound assessment weighs whether the taxpayer's reporting genuinely reflects good-faith compliance or instead deliberate concealment of a disqualifying event that occurred. The stock's price performance, the client's general demeanor at one meeting, and the total shares acquired alone are not themselves the substantive factors this assessment should focus on.

**51. A** — 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 identified here. Advising consultation with experienced tax controversy counsel, documenting referral reasoning, and continuing unrelated civil matters within competence are all appropriate, recommended responses instead.

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

**53. A** — A—Proper documentation should always very clearly include plan documents, grant agreements, and transaction records genuinely supporting the actual holding period calculation at issue in the matter. A bare general assertion with no supporting documentation, the administrator's marketing materials, and the taxpayer's opinion of fairness are not themselves this required documentation.

**54. B** — B—A proper case assessment always very clearly distinguishes between shares acquired through a qualifying transaction and shares acquired through a non-qualifying transaction under the applicable plan. An arbitrary unrelated date, the specific brokerage account, and even versus odd lot numbering are not themselves meaningful analytical distinctions this assessment should draw.

**55. D** — D—Case-building for numerous stock lots requiring individual analysis should always include a systematic spreadsheet or similar tool tracking each lot's grant, exercise, and sale dates carefully. Relying only on narrative with no tracking, simply accepting the administrator's characterization without review, and avoiding tracking entirely all fail to properly manage this complexity.

**56. C** — A—A thorough preliminary assessment should always very clearly include documenting the specific plan type and its applicable statutory holding period and qualification requirements actually involved here now. A fee-only documentation, a software-only documentation, and a general satisfaction-only documentation all fail to capture this substantive, expected content the assessment should include.

**57. A** — A—Case-building for this reasonable cause claim should always document the specific circumstances genuinely preventing timely awareness, such as documented incorrect guidance from the plan administrator itself provided. The taxpayer's own subjective belief alone, merely the transaction's total dollar amount, and merely the plan administrator used are not themselves this required documentation.

**58. B** — B—A sound approach reflects careful, thorough fact development before committing to a specific strategic approach for this genuinely complex multi-lot stock plan 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 holding period position is actually supported by the facts genuinely developed, not simply assumed favorable or unfavorable based on the mere sale. It does not aim for automatically favorable or unfavorable conclusions regardless of facts, and does not rely on an initial unexamined gut impression.

**60. D** — D—This philosophy should always very clearly reflect the understanding that the applicable holding period rules involve precise, date-sensitive calculations warranting careful, individualized documentation of each lot. The rules do not apply flexibly with no precise dates, do warrant additional documentation, and the IRS is not prohibited from examining such matters.

**61. C** — C—This proposal should always genuinely account for whether the disqualifying disposition genuinely created a tax liability affecting the taxpayer's current available cash 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. B** — B—This statement should always reflect the current post-disposition financial picture, genuinely including any resulting cash actually received from the disqualified sale itself. It is not based on the pre-disposition position alone, is not based on the administrator's own financial standing, and is not based on merely the brokerage firm used.

**63. A** — A—This RCP calculation always requires very carefully and precisely reflecting the remaining shares' actual current fair market value, not their original grant-date value from when first issued. The taxpayer's mere valuation preference, the already-sold shares' earlier sale price, and the administrator's fee schedule are not themselves this specific relevant content.

**64. D** — D—This lien attaches to the taxpayer's interest in the remaining shares, consistent with general federal tax lien principles applying broadly to owned property. It does not attach only to already-sold shares, is not exempt from attaching to remaining shares, and does not attach to the administrator's own separate corporate assets.

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

**66. D** — A—A CNC determination for this taxpayer always generally requires very carefully and quite thoroughly evaluating whether the restrictions genuinely prevent accessing needed funds to satisfy the outstanding liability owed. The shares' original grant-date value, the administrator's reputation, and the taxpayer's own preferred figure are all inadequate bases for this evaluation.

**67. C** — C—This hearing should raise the specific issue of whether the levy would create genuine hardship given the shares' actual current restriction status presented. A general opinion about stock plan taxation fairness, total years participating, and the regulating agency's identity are not themselves the substantive issue this hearing should focus on.

**68. A** — A—TFRP addresses unpaid employment trust fund taxes, a genuinely distinct issue entirely separate from the individual income tax consequences of a disqualifying disposition. It does not address the same underlying issue as a disposition, is not specifically triggered by a disposition, and does not arise only for taxpayers who have participated in such a plan.

**69. A** — A—TFRP liability always genuinely turns on genuine control over trust fund tax payments, entirely unrelated to whether the person separately participated in the employer's own stock plan. Stock plan participation does not automatically increase TFRP exposure, participants are not exempt from TFRP, and the two use entirely different calculation methods.

**70. D** — D—Asserting this privilege always requires very clearly and specifically establishing the communication genuinely concerned tax advice regarding the disposition's treatment, not merely general investment guidance. Communication timing during the administrator's business hours, written versus verbal communication, and copying outside counsel are not themselves the required elements this privilege claim demands.

**71. C** — C—The holding period 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 stock ownership plan matters, the holding period is not treated as flexible, and stock plan matters generally are not categorically excluded from Cohan.

**72. B** — B—A proper review verifies the examiner's specific factual findings regarding the actual grant, exercise, and sale dates cited as the basis for the disqualification. 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. A** — A—The response should always very clearly and quite specifically address whether the specific dates genuinely satisfy each applicable statutory holding period requirement the examiner actually disputed here now. A mere unspecified alternative treatment preference, the representative's prior general experience, and the disposition's convenient timing are not themselves the substantive issue.

**74. B** — B—This should prompt verification against the taxpayer's actual Form 3921 or 3922 documentation and how the disposition was genuinely reported on the originally filed return. The administrator's general industry reputation, the specific display font, and the presence of an official seal are all irrelevant to this genuine substantive verification actually needed here.

**75. C** — C—A proper petition should identify the specific basis for disputing the examiner's factual findings regarding the applicable holding period dates actually disputed. A general unsupported opinion about stock plans, mere lifetime plan participation count, and merely the plan administrator used 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 holding period involved. Simply asserting propriety with no supporting timeline, avoiding discussion of the rules 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 very clearly and specifically specify the specific gain amount ultimately recognized and the resulting tax effect for the applicable year. The Officer's general personal preference regarding stock plans, 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 disposition's complexity. Disqualifying dispositions are not categorically excluded from this election, no advance IRS consent is required to elect it, and individual taxpayers can also hold stock plan shares.

**79. D** — A—A proper protest should always clearly cite specific evidence supporting the taxpayer's genuine compliance with the applicable statutory holding period requirements under the governing plan 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. A** — A—Proper documentation should always very clearly and quite specifically specify which specific portion of the disposition was ultimately disallowed and the recognized gain calculation ultimately reached here. The Officer's general philosophy regarding partial disallowances, the original grant 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 holding-period dates actually disputed. The mediator's unrelated personal stock plan experience, a preferred scheduling day, and the representative's unrelated prior mediation experience are not themselves the substantive factors here.

**82. A —** A—A partial IRS concession generally always reflects a genuine hazards-of-litigation compromise, recognizing real factual uncertainty regarding the holding-period dates actually disputed here. 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. C —** C—Effective preparation always genuinely and quite clearly includes anticipating challenges to the taxpayer's holding-period timeline and preparing well-supported documentary responses to those specific raised challenges. 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 holding periods 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 requirements are not merely advisory, and courts do not routinely excuse missed periods regardless of circumstances.

**85. A —** A—Manual review should focus on whether the compensation element was properly included in wages and the basis adjustment was correctly applied to the sale. 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. D —** D—This particular discovery always very clearly illustrates the real importance of carefully reviewing how the adjusted basis was actually calculated and confirming figures entered only once. The specific software version, the client's lot-ordering preference, and the total number of lots are all irrelevant to this genuine substantive single-entry review needed.

**87. C —** A—This obligation generally always applies to the return as a whole, genuinely including the specific Form 3921 or 3922 documentation supporting the reported figures shown. 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. B —** B—Reasonable security should always genuinely reflect the genuine sensitivity and complexity of the underlying compensation and financial data actually involved in this matter. 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. D —** D—Approval always very clearly and genuinely reflects meeting suitability standards regardless of whether the applicant's client base includes taxpayers with genuinely complex returns like stock plan compensation. 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. B —** B—This decision should always include very carefully 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. A** — A—This determination generally does not distinguish between routine returns and returns involving genuinely complex issues like stock plan compensation, 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. C —** C—Form 8948 should always reference the specific recognized exception category actually applicable to the paper filing, not the underlying complexity of the stock plan issue itself here. It should not merely reference the preparer's general opinion of stock plan complexity, the specific administrator 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 stock plan compensation, 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 the reported compensation and basis figures, before signing the Form 8879 authorization itself. 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. B —** A—This retention obligation is the same standard obligation applicable to any other return, regardless of the underlying stock plan complexity actually involved in that 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. D —** D—This confirmation should always include carefully checking whether the specific attachment genuinely requires separate Form 8453 transmittal under the current applicable instructions currently in effect. Whether the compensation is favorable or unfavorable, the specific compensation amount, and prior stock plan history are all irrelevant to this specific transmittal requirement check.

**97. C —** C—Verification should always carefully and genuinely confirm the specific identified error has been resolved without inadvertently altering the substantive compensation position actually taken on the return. 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 include escalation to a more experienced staff member genuinely familiar with the specific stock plan 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 clearly address recognizing when complexity like stock plan compensation 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. B** — B—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.