PRACTICE EXAM 24: 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 application, once approved, generally results in the issuance of:

A. A formal law license permitting the practitioner to practice law in any jurisdiction whatsoever
B. An enrollment card and a Central Authorization File number identifying the practitioner
C. A guarantee of client referrals from the IRS itself on an ongoing basis going forward
D. Automatic membership in every state's own bar association without further action required

2. A practitioner's continuing education hours earned through a webinar requiring active participation, such as periodic attendance verification, generally are treated as:

A. Automatically disqualified hours regardless of the program's actual substantive content or provider status
B. Hours qualifying only for the ethics-specific portion of the requirement, regardless of actual content
C. Hours automatically earning double credit given the heightened engagement such verification requires
D. Potentially qualifying hours, provided the program otherwise meets applicable IRS-approved provider standards

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

A. Is currently actively representing any taxpayer at that specific point in time

B. Has ever previously represented any taxpayer at any point throughout the practitioner's career
C. Holds a current, active professional liability insurance policy at that specific point in time
D. Maintains a current, active membership in any specific professional trade association

4. OPR's decision regarding the appropriate sanction for a given violation generally reflects consideration of aggravating and mitigating factors, including:

A. Only the practitioner's own personal preference regarding which sanction should ultimately be imposed
B. Only the specific calendar month in which the underlying violation happened to occur
C. Whether the practitioner took corrective action or exhibited genuine remorse following the violation
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 self-employed health insurance deduction generally requires:

A. Independent verification directly with the specific insurance carrier named on the return
B. Automatic disallowance of any deduction claim exceeding a specific fixed dollar amount
C. No inquiry whatsoever, since self-employment health insurance claims are presumed accurate automatically
D. A reasonable inquiry into whether the claimed amount and eligibility requirements are genuinely satisfied

6. A practitioner's advice regarding a position with substantial authority generally satisfies Section 10.34 regardless of whether the client ultimately decides to actually take the position because:

A. Section 10.34 applies only where the client actually and ultimately takes the position advised
B. The signing standard applies to the practitioner's own conduct in preparing or advising, not the client's ultimate decision
C. The client's ultimate decision automatically determines whether substantial authority genuinely existed
D. The signing obligation is entirely waived wherever the client declines to take the advised position

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

A. Treated as fundamentally distinct from ordinary return preparation or original position advocacy
B. Treated identically to an original return position under Circular 230's fee rules
C. Prohibited in every context except the specific whistleblower context
D. Specifically required by the IRS to be handled on a contingent fee basis

8. A practitioner's fee arrangement involving a fixed price for a clearly defined scope of work generally allows the client to:

A. Avoid any obligation whatsoever to pay if the matter proves more complex than originally anticipated
B. Demand the practitioner perform unlimited additional work beyond the originally defined scope
C. Genuinely understand the total cost in advance, reducing uncertainty about the ultimate financial commitment
D. Unilaterally renegotiate the fixed price downward at any point during the engagement

9. A practitioner's advertisement stating the firm "gets results" without further qualification is generally:

A. Always permitted, since results-based marketing language is categorically exempted from scrutiny
B. Potentially misleading unless the practitioner can substantiate the specific claim with genuine supporting evidence
C. Permitted only if every single competing firm in the area formally agrees with the claim
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 former employer is now an adverse party generally should evaluate:

A. Only the total salary the practitioner earned during the former employment relationship
B. Only whether the practitioner and former employer parted on genuinely amicable terms
C. Only the specific number of years that have elapsed since the former employment ended

D. Whether confidential information from the former employment could improperly affect the current matter

11. A practitioner's written consent documentation for a conflict arising from a former employer now being an adverse party should generally address the specific:

A. Safeguards in place to prevent confidential information from being improperly used in the current matter
B. Only the practitioner's own personal opinion of how the former employment relationship ultimately ended
C. Only the specific total dollar amount the client's current matter involves in dispute
D. Only whether the former employment occurred before or after the practitioner's own enrollment as an EA

12. A firm's Section 10.36 procedures should generally address how the firm handles a matter involving a staff member's former employer now being an adverse party by:

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

13. A practitioner's Section 10.51(a)(4) violation for false statements generally may be established even where the practitioner claims to have relied on a subordinate's work, if the practitioner:

A. Simply held a subjective personal belief the subordinate's work was entirely accurate
B. Delegated the task to the subordinate as a routine part of the firm's normal workflow
C. Recklessly disregarded readily apparent indications the subordinate's work contained material inaccuracies
D. Previously supervised that same subordinate on an entirely unrelated prior matter

14. A practitioner's obligation regarding accuracy of representations generally requires the practitioner to correct a representation made by a firm associate once the practitioner discovers it was materially inaccurate, provided the practitioner:

A. Has no genuine knowledge whatsoever that the associate's representation might have been inaccurate

B. Continues to be involved in representing the same client on the same matter at the time of discovery

C. Never actually reviewed any of the associate's own prior work product at all

D. Has already formally and completely terminated the representation of that same client

15. A practitioner's written tax opinion should generally identify the specific sources of authority relied upon to:

A. Allow the client and any subsequent reviewer to genuinely evaluate the strength of the underlying analysis

B. Satisfy a purely cosmetic formatting requirement with no genuine substantive purpose

C. Guarantee the client a specific favorable outcome regardless of the authority's actual persuasive weight

D. Eliminate the practitioner's own underlying obligation to conduct genuine, substantive analysis

16. A practitioner's competence obligation regarding a matter involving a client's proposed transaction with genuinely novel accounting implications generally requires:

A. Automatic acceptance of the matter regardless of the practitioner's actual familiarity with accounting principles

B. Automatic decline of the matter with no possibility of developing the needed understanding

C. Reliance exclusively on the client's own understanding of the applicable accounting implications

D. Sufficient understanding of the accounting implications, or appropriate referral to a qualified accounting specialist

17. A practitioner's advertising claim regarding the firm's specific average case resolution time should generally be:

A. Rounded down substantially to present a more impressive-sounding figure to prospective clients
B. Based on genuine, verifiable data reflecting the firm's actual typical case handling experience
C. Omitted entirely from all advertising, since resolution time claims are categorically prohibited
D. Based on a single, particularly favorable matter rather than the firm's overall genuine track record

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

A. Records the practitioner actually possesses that were lawfully and properly requested
B. Records relating to a matter the IRS is actually authorized to examine or investigate
C. Records created during the course of the practitioner's representation of that specific client
D. The practitioner's own internal work product analysis, as distinguished from underlying client records

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

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

20. A practitioner's conflict of interest evaluation should generally be repeated where an existing client's matter reveals the client is now suing another existing client the practitioner also represents because:

A. IRS regulations specifically mandate an entirely new engagement letter for every newly discovered lawsuit
B. Discovering this lawsuit automatically and categorically terminates both pre-existing engagements entirely
C. The newly discovered lawsuit directly creates adversity that likely requires reevaluating both representations
D. Clients specifically expect and demand a fresh conflict evaluation memo for every such discovery

21. A practitioner's disreputable conduct violation involving knowingly preparing a return containing a materially false statement generally is evaluated with particular seriousness because it involves:

A. A matter having no genuine connection whatsoever to the practitioner's actual tax practice
B. A direct compromise of the accuracy the entire tax reporting system depends upon to function properly
C. Conduct that, while concerning, carries no meaningful implication for any client's own interests
D. A category of conduct Circular 230 does not actually address or regulate in any way

22. A practitioner's obligation to maintain confidentiality of client information generally applies to information contained in the practitioner's own internal case management software, subject to:

A. No genuine additional consideration whatsoever, since digital storage is treated as inherently secure
B. An exception allowing free disclosure of any information stored in the specific software used
C. An exception that applies only where the software vendor formally consents to the disclosure
D. Reasonable technical and administrative safeguards protecting against unauthorized access to that system

23. A practitioner's decision to decline continuing representation upon discovering the client has provided forged supporting documentation is generally:

A. A violation of an implied duty to continue any representation regardless of the documentation's authenticity
B. Irrelevant to Circular 230, since declining continued representation carries no professional significance
C. An appropriate exercise of professional judgment consistent with Circular 230's overall standards
D. Permitted only if the practitioner first obtains a formal court ruling confirming the documentation is forged

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

A. Both the factual basis for the requested alternative and any characterization of the underlying facts offered

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

C. Only any characterization offered, never the factual basis for the requested alternative

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

25. A practitioner's suspension sanction generally is imposed alongside conditions the practitioner must satisfy before the suspension formally ends, in cases where:

A. OPR determines specific remedial steps would genuinely help ensure future compliance with Circular 230

B. The practitioner has never previously been the subject of any prior disciplinary matter of any kind

C. The practitioner's own personal preference is to have specific remedial conditions imposed

D. The harmed client's own personal preference is to have specific remedial conditions imposed

26. A practitioner's monetary penalty under Section 10.50 generally may be imposed in an amount reflecting:

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 harmed client's own personal net worth, unrelated to the practitioner's underlying conduct

D. The gross income the practitioner derived, or was expected to derive, from the underlying violation's conduct

27. A practitioner's reinstatement following disbarment generally requires OPR to be satisfied the practitioner has demonstrated genuine understanding of:

A. Only the practitioner's own personal financial need to resume practicing before the IRS

B. The specific Circular 230 provisions violated and the practical steps taken to prevent recurrence

C. Only the specific number of years that have elapsed since the disbarment was originally imposed

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

28. A practitioner's obligation to disclose a conflict extends to a conflict arising from the practitioner's ownership interest in the software or systems used to prepare a client's return, requiring the practitioner to generally:

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

29. A practitioner's overall approach to identifying potential conflicts for a matter involving a client obtained through the practitioner's own personal social network should generally include:

A. The same systematic conflict check applied to any other matter, regardless of how the client was met
B. An assumption that a personally-known client automatically presents no possible conflict of any kind
C. Skipping the conflict check entirely, since personally-known clients are presumed to be trustworthy
D. Relying exclusively on the practitioner's own personal judgment that no conflict genuinely exists

30. A practitioner's overall professional obligations under Circular 230 reflect a recognition that self-assessment of tax liability requires practitioners to serve as a genuine check against:

A. Only inadvertent errors, with no genuine concern regarding deliberate understatement attempts whatsoever
B. Both inadvertent errors and, where they occur, deliberate attempts to understate liability
C. Only deliberate attempts to understate liability, with no genuine concern regarding inadvertent errors whatsoever
D. Neither inadvertent errors nor deliberate attempts, since practitioners bear no genuine checking function

31. A practitioner's overall commitment to Circular 230's standards ultimately reflects an understanding that the credential's value depends on:

A. Only the individual practitioner's own personal professional reputation and standing
B. Only the IRS's own narrow institutional interest in efficient case processing
C. Only competing practitioners' interests in a level playing field within the profession
D. The collective conduct of all enrolled practitioners maintaining genuine public trust in the profession

32. A taxpayer's power of attorney should generally identify a specific tax period, such as a fiscal year end, using a format that:

A. Uses only the exact calendar date the authorization was originally signed by the taxpayer
B. References only the specific IRS office currently handling the underlying matter
C. Clearly and unambiguously specifies the actual applicable period rather than a generic or vague reference
D. Includes the taxpayer's own personal Social Security number written a second time

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

A. Discuss the specifically covered matters with the assigned IRS employee
B. Receive copies of notices regarding the specifically covered matters
C. Execute a specific installment agreement on the taxpayer's behalf absent specific separate authorization for that activity
D. Advocate the taxpayer's position at a scheduled examination interview

34. A taxpayer's power of attorney generally is treated as covering a related refund claim for the same tax year because:

A. The authorization's scope generally extends to matters genuinely arising from the same covered tax period
B. IRS regulations specifically require every refund claim to be treated as an entirely new, unrelated matter
C. A refund claim is treated as automatically and categorically outside the original authorization's scope
D. The taxpayer must affirmatively resubmit an identical authorization for the refund claim phase

35. A taxpayer's assessment statute of limitations generally is tolled during the period a request for a private letter ruling directly bearing on the assessment is pending because:

A. Private letter ruling requests are always automatically granted, eliminating any need for tolling consideration

B. The assessment statute never applies to any matter for which a ruling has been requested

C. The IRS lacks any authority whatsoever to toll the statute pending a ruling request

D. This specific circumstance is among the statutorily and administratively recognized tolling events applicable

36. A taxpayer's Form 872 extension request should generally be evaluated by the practitioner against whether declining would force the IRS to issue a premature:

A. Routine informational notice unrelated to any genuine assessment consideration whatsoever

B. Statutory notice of deficiency before the matter could be fully developed through the administrative process

C. Formal apology letter regarding the specific examining agent's overall conduct during the matter

D. Public announcement regarding the taxpayer's own identity and the underlying dispute

37. A taxpayer's position supported by a formal Program Manager Technical Advice generally reflects:

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

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

C. Internal IRS guidance directing field personnel, a genuinely relevant though not binding factor in risk assessment

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

38. A taxpayer's reliance on a position supported by a well-reasoned treatise authored by a recognized tax law authority, absent formal IRS or judicial authority directly on point, generally reflects:

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

B. An automatically frivolous position lacking any recognized basis whatsoever

C. A position carrying weight identical to a formal, binding Treasury Regulation on the same topic
D. Grounds for automatic penalty relief regardless of any other circumstances involved

39. A taxpayer's disclosure of a position through Form 8275 involving reliance on a recognized treatise generally should include:

A. Only the taxpayer's personal opinion regarding whether the IRS will ultimately accept the disclosed position
B. Only a general statement that some unspecified position is being disclosed with no further detail
C. A guarantee the disclosed position will definitely withstand any subsequent IRS challenge raised
D. A citation to the specific treatise and a description of how its reasoning applies to the taxpayer's own facts

40. A taxpayer's genuinely good-faith reliance on a recognized treatise's analysis, later found not to reflect the IRS's own position, generally distinguishes the taxpayer from evasion because:

A. The reliance itself demonstrates an absence of intent to conceal facts, even where the analysis ultimately proved incorrect
B. A treatise's analysis is automatically treated as legally binding regardless of the IRS's actual contrary position
C. Legal incorrectness alone, regardless of good faith, is always sufficient to establish evasion under the applicable standard
D. Courts are legally required to excuse any position consistent with some identifiable published treatise

41. The Taxpayer Advocate Service's role in addressing a taxpayer's hardship arising from a delayed refund generally includes assessing:

A. Only whether the taxpayer's representative believes the delay is generally unfair as a policy matter
B. Whether the delay is causing genuine, documented financial hardship beyond ordinary inconvenience
C. Only the specific total dollar amount of the delayed refund, with no further inquiry into actual impact
D. Only whether the taxpayer has previously experienced a delayed refund in any prior tax year

42. A Taxpayer Assistance Order addressing a delayed refund generally may direct the IRS to:

A. Automatically grant the taxpayer's underlying substantive claim regardless of its actual legal merits
B. Waive the taxpayer's underlying tax liability entirely regardless of its actual legal correctness
C. Expedite processing of the specific refund consistent with the applicable hardship criteria actually established
D. Terminate the employment of the specific IRS employee responsible for the processing delay

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 lien-related matters of any kind
B. A denial of a requested lien discharge, in addition to other tax matters
C. Only matters the EA personally prepared the underlying filing for
D. Only matters involving amounts below a specific dollar threshold

44. A practitioner's preliminary assessment of a new matter involving a taxpayer's participation in a microcaptive insurance arrangement should generally include confirming:

A. Only the specific insurance company's overall general reputation in the industry
B. Only the taxpayer's personal opinion regarding microcaptive arrangements generally
C. Only the specific number of years the microcaptive arrangement has been in existence
D. Whether the arrangement satisfies the applicable requirements distinguishing genuine insurance from a disguised investment

45. A conflict check's scope for a matter involving multiple participants in the same microcaptive insurance arrangement should generally extend to:

A. Only the microcaptive company's own formal legal name, with no inquiry into individual participants
B. Each individual participant, given their potential differing interests in the arrangement's ultimate tax treatment
C. Only the specific state in which the microcaptive company is domiciled

D. Only the total dollar value of the overall microcaptive arrangement

46. A taxpayer's account transcript entry reflecting a disallowed microcaptive insurance premium deduction generally indicates:

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

47. A practitioner's analysis challenging a disallowed microcaptive insurance deduction should generally focus on:

A. Only the taxpayer's personal opinion regarding whether the disallowance is generally fair
B. Only the specific examiner's overall years of experience conducting examinations
C. Only the specific insurance company's overall years of operating history
D. Identifying specific facts demonstrating the arrangement actually satisfied genuine insurance requirements

48. A requesting spouse's Innocent Spouse Relief claim involving a disallowed microcaptive insurance deduction generally should address:

A. Whether the requesting spouse had actual knowledge of the facts underlying the arrangement's ultimate disallowance
B. Only the requesting spouse's personal opinion regarding microcaptive insurance arrangements generally
C. Only the couple's total combined years of marriage before the arrangement was entered into
D. Only the requesting spouse's current occupation and specific employer

49. A practitioner's documentation for a matter involving a challenge to a microcaptive insurance arrangement's risk distribution generally should 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. Only the couple's preferred vacation destinations over the years

D. Number of unrelated insureds and the actual spreading of genuine insurance risk across the arrangement

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

A. Only the specific insurance company involved in facilitating the underlying arrangement

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

C. Whether the arrangement's structure reflects a genuine insurance purpose or a scheme designed to shift income improperly

D. Only the specific total dollar value of premiums claimed for the overall arrangement

51. A practitioner who identifies potential criminal exposure in a microcaptive insurance matter should generally avoid:

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

B. Advising the client to simply amend returns without first considering the full scope of the potential exposure

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 microcaptive insurance matter generally requires the accountant's analysis to be:

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

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

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

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

53. A practitioner's case-building documentation for a microcaptive insurance matter should generally include:

A. Policy documents, actuarial analyses, and records supporting the arrangement's genuine risk distribution

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

C. Only the insurance company's general marketing materials describing its overall business

D. Only the taxpayer's personal opinion regarding the overall fairness of microcaptive insurance rules

54. A practitioner's overall case assessment for a microcaptive insurance matter should generally distinguish between:

A. Only arrangements formed before versus after a specific arbitrary calendar date unrelated to the requirements

B. Only arrangements domiciled in one specific state versus arrangements domiciled in another specific state

C. Only arrangements with a name containing the word "micro" versus arrangements without that word

D. The arrangement's compliance with genuine insurance requirements and the separate issue of its claimed premium pricing

55. A practitioner's overall case-building strategy for a matter involving a genuinely complex microcaptive premium pricing dispute should generally include:

A. Only a narrative description with no supporting actuarial analysis of any kind provided at all

B. Obtaining or reviewing a credible, independent actuarial analysis supporting the claimed premium amounts

C. Only the captive's own actuary's conclusions, accepted without any independent review whatsoever

D. Avoiding any independent actuarial review entirely to prevent inviting additional scrutiny

56. A practitioner's overall preliminary case assessment process for a microcaptive insurance 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 date the captive arrangement was formed and its implications for the applicable 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 microcaptive insurance compliance error should generally document:

A. The specific reliance on qualified advisors and the reasonableness of that reliance given the circumstances
B. Only the taxpayer's own personal, subjective belief that reasonable cause genuinely exists
C. Only the specific total dollar amount of the premium deduction at issue in the matter
D. Only the specific insurance company the taxpayer originally worked with for the arrangement

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

A. Immediate commitment to a specific strategy before any meaningful fact development has occurred
B. Complete avoidance of the complex matter in favor of addressing only more familiar, comfortable issues
C. Deference entirely to the taxpayer's own proposed strategy with no independent practitioner analysis
D. Careful, thorough fact development before committing to a specific strategic approach

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

A. Automatically favorable to the taxpayer regardless of what the actual facts developed ultimately show
B. Automatically unfavorable to the taxpayer whenever an arrangement is created, regardless of the actual facts

C. Genuinely supported by the actual facts developed, not assumed based on the mere fact an arrangement was created
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 microcaptive insurance matter should generally reflect an understanding that the applicable requirements:

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

61. A taxpayer's short-term payment plan proposal for a taxpayer with a disallowed microcaptive insurance deduction generally should address:

A. Only the taxpayer's personal preference for the specific word "short-term" over other terminology
B. Whether the resulting additional tax liability affects the taxpayer's current available cash for payment
C. Only the taxpayer's total combined assets regardless of their actual liquidity or availability
D. Only the taxpayer's overall credit score as reported by a private credit bureau

62. A taxpayer's non-streamlined installment agreement for a taxpayer with a disallowed microcaptive insurance deduction generally requires the Collection Information Statement to reflect:

A. The current financial picture, including the additional tax liability resulting from the disallowance
B. Only the taxpayer's financial position exactly as it existed before the disallowance ever occurred
C. Only the specific insurance company's own general financial standing and reputation
D. Only the specific actuary through which the arrangement's original pricing was performed

63. A taxpayer's offer in compromise for a taxpayer with a disallowed microcaptive insurance deduction generally requires the RCP calculation to reflect:

A. Only the taxpayer's personal preference for how the RCP calculation should ultimately be structured

B. Only the arrangement's originally claimed premium amounts from the disallowed deduction itself

C. Only the specific insurance company's own general fee schedule for facilitating the arrangement

D. The taxpayer's current actual assets and income, including any effect from the additional tax liability owed

64. A lien filed against a taxpayer's assets following a disallowed microcaptive insurance deduction generally attaches:

A. Only to the specific microcaptive interest itself, not to the taxpayer's other separate assets

B. To neither the taxpayer's own assets nor the microcaptive interest, since disallowed deductions are treated as exempt

C. To the taxpayer's own property and rights to property, consistent with general federal tax lien principles

D. Only to the insurance company's own separate corporate assets used to facilitate the transaction

65. A levy on a taxpayer's assets following a disallowed microcaptive insurance deduction generally is subject to:

A. An automatic exemption from levy specifically because the underlying liability arose from a disallowed deduction

B. A mandatory waiting period of exactly one full year following the disallowance before any levy may occur

C. Approval requirements from the insurance company before any levy may actually proceed

D. The same general levy procedures and exemptions applicable to any other tax liability the taxpayer owes

66. A Currently Not Collectible determination for a taxpayer with a significant liability from a disallowed microcaptive insurance deduction generally requires evaluating:

A. Only the original claimed deduction amount from the now-disallowed arrangement

B. Only the specific insurance company's own general reputation in the industry

C. The taxpayer's current genuine ability to pay, not the original amount of the claimed deduction
D. Only whichever figure the taxpayer happens to personally prefer be used for this determination

67. A taxpayer's CDP hearing addressing a proposed levy following a disallowed microcaptive insurance deduction should generally raise the specific issue of:

A. Whether the levy would create genuine hardship given the taxpayer's actual current financial circumstances
B. Only the taxpayer's general personal opinion regarding the fairness of microcaptive insurance rules generally
C. Only the specific total number of years the taxpayer has owned an insurance business generally
D. Only the specific federal agency responsible for regulating microcaptive insurance arrangements generally

68. A TFRP assessment is generally unrelated to a disallowed microcaptive insurance deduction matter because TFRP addresses:

A. The exact same underlying tax issue a disallowed deduction itself addresses, applied to a different taxpayer type
B. Unpaid employment trust fund taxes, a distinct issue from the individual income tax consequences of a disallowed deduction
C. A penalty specifically triggered whenever a microcaptive insurance deduction is disallowed
D. An issue that only arises for taxpayers who have previously claimed a microcaptive insurance deduction

69. A responsible person's TFRP liability generally is unrelated to whether the person separately participated in a microcaptive insurance arrangement because:

A. TFRP liability turns on control over trust fund payments, not on the person's own separate insurance arrangement
B. Microcaptive insurance participation automatically increases the responsible person's TFRP exposure regardless of any other factor

C. Participants in microcaptive insurance arrangements are categorically exempt from any TFRP assessment whatsoever
D. TFRP liability is calculated using the same formula applied to calculate microcaptive insurance premium amounts

70. A practitioner's Section 7525 privilege claim regarding communications about the tax treatment of a microcaptive insurance arrangement generally requires establishing the communication:

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

71. A taxpayer's Cohan estimate is generally inapplicable to establishing a microcaptive insurance arrangement's genuine risk distribution because:

A. Cohan estimates apply exclusively to matters involving personal property rather than insurance arrangements
B. Risk distribution is treated as flexible and subject to reasonable estimation under applicable case law
C. Microcaptive insurance matters are categorically excluded from any application of the Cohan doctrine whatsoever
D. Risk distribution must be established through actual actuarial and structural facts, not through estimation

72. A practitioner's review of an RAR's proposed adjustment disallowing a microcaptive insurance deduction should generally verify the examiner's:

A. Presentation using a specific font size within the printed report document
B. Specific factual findings regarding the risk-shifting or risk-distribution issue actually cited as the basis
C. Position within the overall report, whether appearing early or later in the document
D. Total physical page length compared to adjustments proposed for other types of transactions

73. A taxpayer's response to a 30-day letter proposing a microcaptive insurance deduction disallowance should generally address whether:

A. The taxpayer simply prefers a different, unspecified tax treatment with no further explanation provided
B. The specific facts genuinely satisfy each applicable risk-shifting and risk-distribution requirement disputed
C. The taxpayer's representative has personally ever encountered a similar microcaptive insurance issue before
D. The specific calendar month in which the arrangement was formed happens to be convenient for the taxpayer

74. A CP-2000 notice's proposed adjustment involving a discrepancy related to a microcaptive insurance deduction should generally prompt verification against:

A. The taxpayer's actual policy documentation and how the premium deduction was genuinely reported
B. Only the specific insurance company's overall general reputation in the industry
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 microcaptive insurance deduction disallowance should generally identify:

A. Only the taxpayer's own general, unsupported opinion regarding microcaptive insurance arrangements generally
B. Only the total number of microcaptive insurance arrangements the taxpayer has participated in over a lifetime
C. The specific basis for disputing the examiner's factual findings regarding risk-shifting or risk-distribution
D. Only the specific insurance company the taxpayer originally worked with for the arrangement

76. A taxpayer's Appeals conference preparation for a microcaptive insurance deduction dispute should generally include:

A. Simply asserting the deduction was proper with no supporting evidence or documentation provided
B. Avoiding any discussion of the applicable risk-shifting and distribution rules to prevent inviting additional scrutiny
C. Deferring entirely to the Appeals Officer to independently reconstruct the supporting evidence
D. A clear presentation of the specific evidence supporting the arrangement's genuine risk-shifting and distribution

77. A taxpayer's decision to accept an Appeals settlement resolving a microcaptive insurance deduction dispute should generally be documented to specify:

A. Only the Appeals Officer's own general personal preference regarding microcaptive insurance arrangements generally
B. Only the specific conference room where the settlement was actually reached
C. Only the taxpayer's general overall satisfaction with how the dispute was ultimately resolved
D. The specific deduction amount ultimately allowed and the resulting tax effect for the applicable year

78. A taxpayer's small tax case election is generally available for a microcaptive insurance deduction dispute where the disputed amount:

A. Involves any microcaptive insurance arrangement whatsoever, since such arrangements are categorically excluded from this election
B. Falls at or below the applicable dollar threshold, regardless of the underlying arrangement'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 participate in microcaptive arrangements

79. A taxpayer's formal written protest for a microcaptive insurance deduction dispute should generally cite specific evidence supporting:

A. The arrangement's compliance with the applicable risk-shifting and risk-distribution requirements under governing rules

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

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

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

80. A taxpayer's Appeals settlement for a microcaptive insurance deduction dispute involving a partial reduction in the allowed deduction generally should be documented to specify:

A. Only the Appeals Officer's own general personal philosophy regarding microcaptive insurance arrangements generally

B. Only the specific date the original arrangement first was formed

C. How the reduced allowed deduction was ultimately determined and the resulting recalculated tax effect

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 microcaptive insurance deduction dispute should generally weigh whether:

A. The specific mediator happens to have personal experience with insurance industry organizations

B. A neutral mediator could genuinely help resolve the specific remaining factual disagreement over risk distribution

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

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

82. A taxpayer's Appeals conference outcome for a microcaptive insurance deduction dispute resulting in a partial concession by the IRS generally reflects:

A. A hazards-of-litigation compromise recognizing genuine factual uncertainty regarding the risk distribution disputed

B. A purely arbitrary split with no genuine underlying analytical basis whatsoever

C. An automatic default rule the IRS applies to every single microcaptive insurance deduction 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 microcaptive insurance deduction Appeals conference should generally include:

A. Assuming the Appeals Officer will simply accept the deduction without any independent scrutiny

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

C. Preparing exclusively for challenges about matters entirely unrelated to the actual microcaptive insurance dispute

D. Anticipating challenges to the arrangement's risk-shifting and distribution and preparing well-supported responses

84. A practitioner's overall approach to representing a taxpayer in a microcaptive insurance deduction dispute should generally reflect an understanding that:

A. The IRS generally grants broad equitable exceptions to the risk-shifting and distribution requirements upon request

B. The risk-shifting requirements are treated as merely advisory guidelines with no genuine enforcement consequence

C. Strict compliance with genuine risk-shifting and distribution requirements is generally required, leaving little room for exceptions

D. Courts routinely excuse noncompliant arrangements regardless of the taxpayer's specific circumstances

85. A preparer's software calculation for a return involving a microcaptive insurance deduction should generally still involve manual review of:

A. Only the federal portion, since state-level microcaptive calculations are treated as automatically reliable

B. Whether the claimed premium amount is properly supported and consistent with the arrangement's underlying policy terms

C. No portion of the return at all, since microcaptive 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 microcaptive insurance premium deduction illustrates the importance of reviewing:

A. How the deduction amount was actually calculated and whether figures were entered only once
B. Only the specific software version number used to prepare the particular return
C. Only the client's stated preference for how the arrangement should ultimately be characterized
D. Only the total number of years the taxpayer has participated in microcaptive insurance arrangements

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

A. Only the portion of the return unrelated to the microcaptive insurance arrangement specifically
B. Only a separate, distinct recordkeeping category maintained apart from the general return records
C. The return as a whole, including the specific policy and premium documentation supporting the deduction
D. Only if the IRS specifically requests the microcaptive documentation be separately retained

88. A preparer's data security obligations for records supporting a complex microcaptive insurance matter should generally reflect:

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

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

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

B. Client base includes taxpayers with genuinely complex returns, such as those involving microcaptive insurance arrangements

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

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

90. A firm's decision to accept clients requiring microcaptive insurance deduction reporting should generally include evaluating whether the firm has:

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

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

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

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

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

A. Returns involving routine matters and returns involving genuinely complex issues like microcaptive insurance deductions

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 microcaptive insurance issue should generally reference:

A. Only the preparer's own general opinion regarding the complexity of microcaptive insurance rules generally

B. Only the specific insurance company the taxpayer actually used to facilitate the arrangement

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

94. A taxpayer's Form 8879 authorization for a return involving a microcaptive insurance deduction generally requires the taxpayer to:

A. Review the completed return, including the claimed premium deduction, before signing the authorization
B. Personally understand every technical detail of the actuarial calculation before signing the authorization
C. Obtain independent verification of the actuarial analysis from a completely separate practitioner
D. Sign a supplemental form specifically acknowledging the arrangement's inherent complexity

95. An ERO's Form 8879 retention obligation for a return involving a microcaptive insurance deduction generally is:

A. Extended to a longer period specifically because of the arrangement'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 microcaptive insurance given their genuinely specialized nature
D. Subject to a completely separate set of retention rules unique to microcaptive returns specifically

96. A preparer's confirmation of Form 8453 requirements for a return involving a microcaptive insurance attachment should generally include checking:

A. Only whether the microcaptive insurance deduction happens to be favorable or unfavorable to the taxpayer
B. Only the specific total dollar amount of the resulting deduction claimed

C. Whether the specific attachment requires separate transmittal under current applicable instructions
D. Only whether the taxpayer has previously participated in a microcaptive arrangement in any prior tax year

97. A rejected return involving a microcaptive insurance deduction 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 taxpayer's stated preference for a specific refund method remains unchanged
D. The specific error identified in the rejection has been resolved without altering the substantive deduction position taken

98. A preparer's overall response protocol for rejections affecting returns with microcaptive insurance deduction issues should generally include:

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

99. A preparer's overall e-file compliance program should generally include staff training on recognizing when a return's complexity, such as a microcaptive insurance deduction, 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. Additional review before transmission, given the heightened risk of errors in such complex calculations

D. Immediate escalation to the IRS itself, bypassing any internal firm review process entirely

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

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

B. Complex returns carry no meaningfully different compliance considerations from a routine, simple 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 24: Answer Key and Explanations

1. B — A—Approval generally results in an enrollment card and a Central Authorization File number that genuinely identifies the practitioner for IRS purposes going forward. It does not result in a formal law license to practice law generally, does not guarantee IRS client referrals, and does not confer automatic state bar membership.

2. D — D—Such hours are potentially always qualifying continuing education credits, provided the program otherwise genuinely meets applicable IRS-approved provider standards required for credit purposes generally. They are not automatically disqualified regardless of content, do not automatically qualify only as ethics-specific hours, and do not earn automatic double credit under any circumstance.

3. A — A—This obligation exists independently of whether the practitioner is currently actively representing any taxpayer at that specific point in time at all. It does not depend on whether the practitioner has ever previously represented anyone, does not depend on current insurance coverage, and does not depend on trade association membership.

4. C — C—This consideration includes whether the practitioner took genuine corrective action or exhibited authentic remorse following the identified violation, among other relevant factors. The practitioner's own sanction preference, the specific calendar month of the violation, and prior OPR interaction history alone are not themselves the substantive factors this decision turns on.

5. D — D—Due diligence always requires a reasonable inquiry into whether the claimed amount and applicable eligibility requirements are genuinely satisfied here for the return. Direct insurance carrier verification is not required, automatic disallowance above an arbitrary amount is inappropriate, and no inquiry at all under any circumstances misstates this reasonable-inquiry standard.

6. B — B—The signing standard applies to the practitioner's own conduct in preparing or advising, genuinely independent of the client's ultimate decision whether to act. Section 10.34 is not limited to situations where the client actually takes the position, the client's decision does not determine whether authority existed, and the obligation is not waived by declining.

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

8. C — C—A fixed price for clearly defined work allows the client to genuinely understand the total cost in advance, reducing uncertainty about the ultimate financial commitment involved. It does not exempt the client from payment if complexity increases within scope, does not entitle unlimited additional work beyond scope, and does not allow unilateral downward renegotiation.

9. B — B—An unqualified claim of "gets results" is potentially misleading unless the practitioner can actually substantiate the specific claim with genuine supporting evidence actually available. Results-based language is not categorically exempt from scrutiny, does not require every competitor's agreement, and is not automatically dismissed as harmless puffery under Circular 230's standards.

10. D — D—This particular analysis always evaluates whether confidential information genuinely obtained from the former employment could improperly affect how the current matter is actually handled. The former salary earned, whether the parting was amicable, and mere elapsed years since employment ended are not themselves the substantive factors this analysis turns on.

11. A — A—Proper documentation should always genuinely and clearly address the specific safeguards actually in place to prevent confidential information from being improperly used in the current matter. The practitioner's own opinion of how the employment ended, the disputed dollar amount, and the employment's timing relative to enrollment are not this required content.

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

13. C — C—This particular violation may be established despite claimed reliance on a subordinate where the practitioner recklessly disregarded readily apparent indications of material inaccuracies presented. A mere subjective belief in accuracy alone, routine delegation as normal workflow, and prior unrelated supervision do not themselves establish or negate this reckless disregard standard.

14. B — B—This obligation requires correction where the practitioner continues to be genuinely involved in representing the same client on the same matter at the time of discovery. It does not require correction absent genuine knowledge of the inaccuracy, absent ever reviewing the associate's work, or once representation of that client has already terminated.

15. A — A—Identifying the specific sources relied upon allows the client and any subsequent reviewer to genuinely evaluate the actual strength of the underlying analysis presented. This is not a purely cosmetic formatting requirement, does not guarantee a favorable outcome regardless of authority weight, and does not eliminate the underlying analytical obligation.

16. D — D—Competence here always genuinely and quite clearly requires sufficient understanding of the accounting implications, or appropriate referral to a qualified accounting specialist with relevant genuine expertise available. Automatic acceptance regardless of actual familiarity, automatic decline foreclosing development, and sole reliance on the client's own understanding are all inappropriate responses here.

17. B — B—Such a claim should always be based on genuine, verifiable data reflecting the firm's actual typical case handling experience over time gathered. Substantially rounding down for impressiveness, categorically omitting all such claims, and basing the figure on a single favorable matter rather than the overall record are all inappropriate approaches.

18. D — D—This particular obligation always genuinely does not extend to the practitioner's own internal work product analysis, genuinely distinguished from the underlying client records themselves here. The obligation does extend to lawfully requested records actually possessed, records relating to a matter the IRS may examine, and records created during the representation.

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

20. C — C—Reevaluation is always genuinely warranted because the newly discovered lawsuit directly creates genuine adversity likely requiring reevaluation of both existing representations involved here. 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 — A—This violation is treated with particular seriousness because it involves a direct compromise of the accuracy the entire tax reporting system genuinely depends upon to function. This is not unconnected to the practitioner's tax practice, does carry meaningful implications for client and system interests, and is genuinely addressed under Circular 230.

22. D — D—Confidentiality always genuinely applies to internally stored case management information subject to reasonable technical and administrative safeguards protecting against genuinely unauthorized access here. Digital storage is not treated as inherently secure requiring no additional consideration, is not subject to a free-disclosure exception, and does not require the vendor's specific consent.

23. C — C—Declining continued representation upon discovering forged documentation is always genuinely an appropriate exercise of professional judgment consistent with Circular 230's overall standards set. There is no implied duty to continue representation regardless of authenticity, this decision carries genuine professional significance, and no prior court ruling is required to properly decline.

24. A — A—This accuracy obligation extends to both the factual basis for the requested collection alternative and any characterization of the underlying facts the practitioner 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. A — A—Such conditions are generally imposed where OPR determines specific remedial steps would genuinely help ensure the practitioner's future compliance with Circular 230's standards. This is not based on the absence of prior disciplinary history, is not based on the practitioner's own preference, and is not based on the harmed client's own preference.

26. D — D—This penalty may generally be imposed in an amount reflecting the gross income the practitioner derived, or expected to derive, from the underlying violation's 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. B — B—OPR always genuinely and clearly requires satisfaction that the practitioner has demonstrated genuine understanding of the specific provisions violated and steps taken to prevent recurrence entirely. 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 demonstration.

28. C — C—This particular scenario requires disclosing the ownership interest and genuinely evaluating whether it could improperly influence the advice or product recommendation actually given. Simply divesting with no disclosure at all, ignoring the interest as unrelated, and disclosing only upon a specific inquiry all fail to satisfy this proactive disclosure obligation.

29. A — A—A personally-known prospective client should undergo the same systematic conflict check applied to any other prospective client, regardless of how the client was actually met. Assuming automatic absence of conflict, skipping the check entirely, and relying exclusively on personal judgment without a genuine check are all inadequate approaches to this necessary check.

30. B — B—These obligations reflect the recognition that self-assessment requires practitioners to serve as a genuine check against both inadvertent errors and deliberate understatement attempts occurring. This is not limited to only inadvertent errors, is not limited to only deliberate attempts, and practitioners do genuinely serve this checking function under Circular 230.

31. D — D—This commitment always genuinely reflects the understanding that the credential's value genuinely depends on the collective conduct of all enrolled practitioners maintaining public trust. It does not exist solely to protect the practitioner's own reputation, is not solely about IRS institutional efficiency, and is not designed to protect competing practitioners' interests.

32. C — C—A proper power of attorney specifies the actual applicable period clearly and unambiguously, rather than relying on a generic or vague reference that risks confusion. It is not specified using merely the signing date, is not specified by referencing the handling IRS office, and does not require repeating the taxpayer's Social Security number a second time.

33. C — C—A standard power of attorney always never truly authorizes executing a specific installment agreement absent specific separate authorization for that particular heightened activity actually granted here now. 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. A — A—The authorization's scope generally extends to matters genuinely arising from the same covered tax period, including a related refund claim for that year. There is no regulation treating every refund claim as an entirely new matter, such a claim is not automatically outside the scope, and resubmission is not required for this phase.

35. D — D—This specific circumstance is among the statutorily and administratively recognized tolling events applicable when such a ruling request is genuinely pending. Ruling requests are not always automatically granted, the assessment statute does apply to matters with a pending ruling request, and the IRS does have authority to toll the statute in this circumstance.

36. B — B—This request should be evaluated against whether declining would force the IRS to issue a premature statutory notice of deficiency before full administrative development. It is not about forcing a routine unrelated informational notice, is not about forcing a formal apology letter, and is not about forcing a public announcement regarding the taxpayer.

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

38. A — A—Reliance on a well-reasoned scholarly treatise, absent formal authority, generally reflects a reasonable basis argument, though genuinely weaker than a position backed by formal authority. This is not automatically frivolous, does not carry weight identical to a binding regulation, and does not itself guarantee automatic penalty relief regardless of other facts.

39. D — D—A proper disclosure should include a citation to the specific treatise and a description of how its genuine reasoning applies to the taxpayer's own actual facts. The taxpayer's own opinion about eventual IRS acceptance, a vague unspecified general statement, and a guarantee of withstanding challenge are not themselves the required content of this disclosure.

40. A — A—This good-faith reliance demonstrates a genuine absence of intent to conceal facts from the government, even where the analysis ultimately proved incorrect. A treatise is not automatically binding regardless of the IRS's contrary position, legal incorrectness alone does not always establish evasion, and courts are not required to automatically excuse any treatise-consistent position.

41. B — B—TAS assessment always genuinely includes carefully evaluating whether the delay is genuinely causing documented financial hardship beyond mere ordinary inconvenience actually experienced here now. This is not about the representative's general fairness opinion, is not limited to merely the total dollar amount delayed, and is not limited to prior delayed-refund history.

42. C — C—Such a TAO may always genuinely direct the IRS to expedite processing of the specific refund consistent with the applicable hardship criteria actually established here. It does not direct automatically granting the underlying substantive claim regardless of merits, does not waive a legally correct liability, and does not direct employee termination.

43. B — B—An EA's unlimited practice rights extend to a denial of a requested lien discharge, 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. D — D—A proper preliminary assessment confirms whether the arrangement genuinely satisfies the applicable requirements distinguishing genuine insurance from a disguised investment vehicle. The insurance company's general industry reputation, the taxpayer's opinion of microcaptive arrangements generally, and the years in existence alone are not themselves the substantive factors this assessment should focus on.

45. B — B—A thorough conflict check for this matter should extend to each individual participant, given their genuinely differing potential interests in the arrangement's ultimate overall tax treatment. The microcaptive's formal legal name alone, its state of domicile, and the total arrangement value are not themselves sufficient without this broader participant-level inquiry.

46. C — C—This entry generally indicates the IRS determined the arrangement genuinely failed to satisfy the applicable requirements necessary for genuine insurance treatment recognized. 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 arrangement.

47. D — D—A proper challenge always genuinely focuses on identifying specific facts genuinely demonstrating the arrangement actually satisfied genuine insurance requirements the examiner disputed. The taxpayer's general opinion of fairness, the examiner's years of experience, and the insurance company's operating history are not themselves the substantive basis this challenge should focus on.

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

49. D — D—Proper documentation always genuinely and quite clearly addresses the specific number of unrelated insureds and the actual genuine spreading of insurance risk across the entire arrangement itself. Wedding venue choice, shared home decor taste, and vacation preferences are not themselves the substantive factors this specific risk-distribution challenge should actually address.

50. C — C—A sound assessment weighs whether the arrangement's structure genuinely reflects a genuine insurance purpose or instead a scheme designed to improperly shift income. The specific insurance company involved, the client's general demeanor at one meeting, and the total premium value alone are not themselves the substantive factors this assessment should focus on.

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

53. A — A—Proper documentation should always genuinely include policy documents, actuarial analyses, and records genuinely supporting the arrangement's actual risk distribution actually claimed by the taxpayer here. A bare general assertion with no supporting documentation, the insurance company's marketing materials, and the taxpayer's opinion of fairness are not themselves this required documentation.

54. D — D—A proper case assessment always genuinely distinguishes between the arrangement's compliance with genuine insurance requirements and the genuinely separate underlying issue of its claimed premium pricing set. An arbitrary unrelated date, the specific state of domicile, and mere naming convention are not themselves meaningful analytical distinctions this assessment should draw.

55. B — B—Case-building for a genuinely complex pricing dispute should include obtaining or reviewing a credible, independent actuarial analysis supporting the claimed premium amounts here. Relying only on narrative with no analysis, simply accepting the captive's own actuary's conclusions without review, and avoiding independent review entirely all fail to properly address this dispute.

56. C — C—A thorough preliminary assessment should always genuinely include documenting the specific date the captive was formed and its genuine implications for the applicable qualification requirements involved here. 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 document the specific reliance on qualified advisors and the genuine reasonableness of that reliance given the circumstances presented here. The taxpayer's own subjective belief alone, merely the deduction's total dollar amount, and merely the insurance company used are not themselves this required documentation.

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

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

60. B — B—This philosophy should always genuinely reflect the understanding that the applicable requirements involve detailed risk-shifting and risk-distribution standards warranting careful, precise documentation of every claim made. The requirements do not apply flexibly with no genuine detailed standards, do warrant additional documentation, and the IRS is not prohibited from examining such matters.

61. B — B—This particular proposal should always genuinely and clearly address whether the resulting additional tax liability genuinely affects the taxpayer's current available cash for payment made. 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. A — A—This statement should always genuinely reflect the current financial picture, including the additional tax liability actually resulting from the disallowance itself here. It is not based on the pre-disallowance position alone, is not based on the insurance company's own financial standing, and is not based on merely the actuary used for pricing.

63. D — D—This particular RCP calculation always requires genuinely reflecting the taxpayer's current actual assets and income, genuinely including any effect from the additional liability owed always. The taxpayer's mere structural preference, the disallowed deduction's originally claimed premium amounts, and the insurance company's fee schedule are not themselves this specific relevant content.

64. C — C—This lien always attaches to the taxpayer's own property and rights to property generally, consistent with general federal tax lien principles applying broadly here. It does not attach only to the specific microcaptive interest, is not exempt from attaching to the taxpayer's assets, and does not attach to the insurance company's own separate corporate assets.

65. D — D—This levy always generally is subject to the same general levy procedures and applicable exemptions that would apply to any other tax liability. It does not carry an automatic exemption due to the liability's origin, does not carry a mandatory one-year waiting period, and does not require the insurance company's approval to proceed.

66. C — C—A CNC determination for this specific taxpayer always genuinely requires very carefully evaluating the taxpayer's current genuine ability to pay, not the original disallowed amount claimed here. The original claimed deduction amount alone, the insurance company's reputation, and the taxpayer's own preferred figure are all inadequate bases for this evaluation.

67. A — A—This hearing should always genuinely raise the specific issue of whether the levy would create genuine hardship given the taxpayer's actual current financial circumstances. A general opinion about microcaptive rules fairness, total years owning an insurance business, and the regulating agency's identity are not themselves the substantive issue this hearing should focus on.

68. B — B—TFRP always genuinely addresses unpaid employment trust fund taxes, a distinct issue entirely separate from the individual income tax consequences of a disallowed deduction. It does not address the same underlying issue as a disallowed deduction, is not specifically triggered by a disallowance, and does not arise only for taxpayers who claimed such a deduction.

69. A — A—TFRP liability always genuinely and truly turns on genuine control over trust fund tax payments, entirely unrelated to whether the person separately participated in a microcaptive arrangement here. Microcaptive participation does not automatically increase TFRP exposure, participants are not exempt from TFRP, and the two use entirely different calculation methods.

70. C — C—Asserting this particular privilege always requires establishing the communication genuinely concerned tax advice regarding the arrangement's treatment, not merely general insurance guidance actually given here. Communication timing during the insurance company's business hours, written versus verbal communication, and copying outside counsel are not themselves the required elements this privilege claim demands.

71. D — D—Risk distribution always genuinely must be established through actual actuarial and structural facts genuinely governing the arrangement, not Cohan-style estimation. Cohan estimates do not apply exclusively to personal property matters, risk distribution is not treated as flexible for estimation purposes, and microcaptive matters generally are not categorically excluded from Cohan.

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

73. B — B—The response should always genuinely and quite clearly address whether the specific facts genuinely satisfy each applicable risk-shifting and risk-distribution requirement actually disputed here right now indeed. A mere unspecified alternative treatment preference, the representative's prior general experience, and the arrangement's convenient formation month are not themselves the substantive issue.

74. A — A—This should always genuinely prompt verification against the taxpayer's actual policy documentation and how the premium deduction was genuinely reported on the return. The insurance company'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 always genuinely identifies the specific basis for disputing the examiner's factual findings regarding the risk-shifting or risk-distribution issue disputed here. A general unsupported opinion about microcaptive arrangements, mere lifetime participation count, and merely the insurance company used are not themselves the required substantive content this petition needs.

76. D — D—Preparation for this dispute should always genuinely include a clear presentation of the specific evidence supporting the arrangement's genuine risk-shifting and distribution here. Simply asserting propriety with no supporting evidence, avoiding discussion of the rules entirely, and deferring entirely to the Officer's own reconstruction all fail to properly advocate for the taxpayer.

77. D — D—Proper settlement documentation should always genuinely specify the specific deduction amount ultimately allowed and the resulting genuine tax effect for the applicable year at issue. The Officer's general personal preference regarding microcaptive arrangements, 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 always genuinely is available where the disputed amount falls at or below the applicable dollar threshold, regardless of the underlying complexity. Microcaptive arrangements are not categorically excluded from this election, no advance IRS consent is required to elect it, and individual taxpayers can also participate in such arrangements.

79. A — A—A proper protest always genuinely and quite clearly cites specific evidence supporting the arrangement's genuine compliance with the applicable risk-shifting and risk-distribution requirements set here. 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. C — C—Proper documentation should always genuinely and quite clearly specify how the reduced allowed deduction was ultimately determined and the resulting genuine recalculated tax effect actually reached here. The Officer's general philosophy regarding microcaptive arrangements, the original formation date, and the taxpayer's general satisfaction are not themselves this required documentation content.

81. B — B—This particular decision should always genuinely and carefully weigh whether a neutral mediator could genuinely help resolve the specific remaining factual disagreement over risk distribution. The mediator's unrelated personal insurance industry 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 always genuinely and clearly reflects a genuine hazards-of-litigation compromise, recognizing real factual uncertainty regarding the risk distribution actually disputed. It is not a purely arbitrary split lacking analytical basis, is not an automatic default rule applied to every case, and is not itself a clerical calculation error.

83. D — D—Effective preparation always genuinely and quite clearly includes anticipating challenges to the arrangement's own risk-shifting and distribution and preparing well-supported responses to those specific raised. Assuming the Officer will accept the deduction without scrutiny, preparing only for personally interesting challenges, and preparing only for unrelated matters all reflect inadequate preparation.

84. C — C—This approach should always genuinely reflect the understanding that strict compliance with genuine risk-shifting requirements is generally required, leaving little room for exceptions. The IRS does not generally grant broad equitable exceptions upon request, the requirements are not merely advisory, and courts do not routinely excuse noncompliance regardless of circumstances.

85. B — B—Manual review should always genuinely focus on whether the claimed premium amount is properly supported and consistent with the arrangement's underlying policy terms actually set. 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. A — A—This discovery always genuinely illustrates the importance of reviewing how the deduction amount was actually calculated and confirming figures were entered only once here. The specific software version, the client's characterization preference, and the total years participating in such arrangements are all irrelevant to this genuine substantive single-entry review needed.

87. C — C—This obligation always genuinely applies to the return as a whole, genuinely including the specific policy and premium documentation supporting the claimed deduction itself. It is not limited to only the unrelated portion, is not maintained as a separate distinct category, and applies regardless of a specific separate IRS request.

88. D — D—Reasonable security should always genuinely reflect the genuine sensitivity and complexity of the underlying policy and financial data actually involved in the 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. B — B—Approval always genuinely and quite clearly reflects meeting suitability standards regardless of whether the applicant's client base includes taxpayers with genuinely complex returns like microcaptive arrangements involved. Suitability does depend on the applicant's own tax compliance history being reviewed, background being reviewed, and the application information being verified for accuracy.

90. D — D—This decision should always genuinely include evaluating whether the firm genuinely has sufficient internal expertise or access to appropriate resources to competently handle these matters here. 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 always genuinely does not distinguish between routine returns and returns involving genuinely complex issues like microcaptive deductions, 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 genuinely and clearly reference the specific recognized exception category actually applicable to the paper filing, not the underlying complexity itself here now. It should not merely reference the preparer's general opinion of microcaptive complexity, the specific insurance company used, or the preparer's unrelated past filing history.

93. D — D—A waiver request should always genuinely not be based on the mere complexity of a client's microcaptive insurance deduction, 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. A — A—The taxpayer generally must always genuinely review the completed return, including the claimed premium deduction, before signing the Form 8879 authorization itself here. The taxpayer need not personally understand every technical actuarial detail, need not obtain a separate independent verification, and need not sign a specific supplemental complexity acknowledgment form.

95. B — B—This retention obligation always genuinely is the same standard obligation applicable to any other return, regardless of the underlying microcaptive complexity actually involved here. 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. C — C—This confirmation should always genuinely and clearly include checking whether the specific attachment genuinely requires separate Form 8453 transmittal under the current applicable instructions currently in effect. Whether the deduction is favorable or unfavorable, the specific deduction amount, and prior microcaptive history are all irrelevant to this specific transmittal requirement check.

97. D — D—Verification should always genuinely and clearly confirm the specific identified error has been resolved without inadvertently altering the substantive deduction position actually taken here now. 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. B — B—A sound protocol should always genuinely and clearly include escalation to a more experienced staff member genuinely familiar with the specific microcaptive rules actually involved here now. Automatic assignment regardless of experience, no differentiated protocol at all, and automatic resubmission without review all fail to appropriately address this specific complexity.

99. C — C—Training should always genuinely and clearly address recognizing when complexity like a microcaptive insurance deduction warrants additional internal review, given the genuinely heightened risk of errors involved. No additional review at all, automatic rejection of the engagement, and immediate escalation to the IRS bypassing internal review are all inappropriate responses.

100. A — A—This overall commitment always genuinely reflects the recognition that genuine accuracy in complex matters requires the same careful compliance attention as any other filing. 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.