PRACTICE EXAM 25: 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 generally requires disclosure of any prior felony conviction because such disclosure allows the IRS to:

A. Automatically deny the application regardless of the conviction's actual nature or how long ago it occurred
B. Evaluate the applicant's overall fitness and good character to practice before the agency going forward
C. Notify the applicant's local police department of the specific pending enrollment application
D. Calculate a mandatory increased application fee based specifically on the conviction's nature

2. A practitioner's continuing education hours earned through a program later found to have overstated its actual instructional hours generally means the practitioner should:

A. Work with the IRS to determine what credit, if any, remains legitimately earned and obtain makeup hours as needed
B. Automatically lose enrollment status immediately with no opportunity to address the shortfall whatsoever
C. Face no consequence whatsoever, since the overstatement was entirely the provider's own fault alone
D. Immediately retake the full Special Enrollment Examination as the sole available remedy for this issue

3. A practitioner's obligation to update the IRS regarding a change in the practitioner's own professional firm affiliation generally should be completed:

A. Only at the specific time of the practitioner's next scheduled renewal cycle occurring later
B. Only if a client or the IRS specifically inquires about the practitioner's current firm affiliation
C. Promptly following the change, through the applicable official notification process available to practitioners
D. Only after the practitioner has updated the firm affiliation on every social media profile maintained

4. OPR's decision to pursue a formal proceeding against a practitioner rather than accepting a proposed settlement generally reflects a conclusion that:

A. Only the practitioner's own personal preference regarding which process OPR should actually pursue
B. Only the specific calendar month in which the underlying conduct happened to occur
C. Only whether the practitioner has ever previously interacted with OPR in any capacity
D. The proposed settlement terms would not adequately address the genuine severity of the underlying violation

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

A. Independent verification directly with the specific insurance carrier that adjusted the underlying claim
B. A reasonable inquiry into whether the loss genuinely qualifies under applicable federally declared disaster requirements
C. Automatic disallowance of any casualty loss claim exceeding a specific fixed dollar amount
D. No inquiry whatsoever, since casualty loss claims are presumed accurate automatically by default

6. A practitioner's advice regarding a position with substantial authority generally may account for a recent circuit court split on the specific issue because:

A. The existence of conflicting authority is itself relevant to weighing the overall strength of the position
B. A circuit split automatically and conclusively establishes that no substantial authority can ever exist
C. Only the taxpayer's own home circuit's ruling can ever be considered in this analysis
D. The signing obligation is entirely waived wherever any circuit split exists on the specific issue

7. A contingent fee arrangement is generally permitted for representation regarding a claim for a refund based on a retroactive change in the law because such claims are:

A. Treated identically to an original return position under Circular 230's federal contingent fee rules
B. Prohibited in every context except the specific retroactive law change context
C. Specifically required by the IRS to be handled on a contingent fee basis
D. Treated as sufficiently distinct from an original return position to fall within a recognized exception

8. A practitioner's fee arrangement involving a retainer applied against future billed hours generally should clearly specify:

A. Only the practitioner's own general preference for how retainers should typically be structured
B. Only the specific bank where the retainer funds will ultimately be deposited by the firm
C. How unused retainer funds will be handled upon the engagement's conclusion or early termination
D. Only the total number of years the practitioner has personally used retainer arrangements

9. A practitioner's advertisement featuring a graphic depicting an IRS seal or logo without authorization is generally:

A. Always permitted, since using government imagery is categorically exempted from any scrutiny
B. Permitted only if the practitioner adds a small disclaimer somewhere on the same advertisement
C. Irrelevant to Circular 230, since it is treated as harmless marketing decoration
D. Potentially misleading, since it may improperly suggest an official IRS affiliation or endorsement that does not exist

10. A practitioner's conflict of interest analysis for representing a taxpayer in a matter where the practitioner co-owns rental property with an adverse party generally should evaluate:

A. Only the specific total value of the co-owned rental property at the current time
B. Only whether the practitioner and the adverse party communicate regularly about the property itself

C. Whether the shared financial interest could reasonably be perceived as affecting the practitioner's independent judgment
D. Only the specific number of years the co-ownership arrangement has actually existed

11. A practitioner's written consent documentation for a conflict arising from co-owning rental property with an adverse party should generally address the specific:

A. Safeguards in place to prevent the shared financial interest from improperly influencing the matter's handling
B. Only the practitioner's own personal opinion of how profitable the co-owned property has been
C. Only the specific total dollar amount the client's current matter involves in dispute
D. Only whether the co-ownership began 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 shared financial interests with an opposing party by:

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

13. A practitioner's Section 10.51(a)(4) violation for false statements generally may be established through the practitioner's use of a template response known to contain outdated, inaccurate information, if the practitioner:

A. Simply used the template as a routine part of the firm's normal, standardized workflow process
B. Actually knew or recklessly disregarded that the template's content no longer reflected accurate information
C. Had never personally drafted the specific template originally used by the firm generally
D. Delegated the task of actually sending the template response to a subordinate employee

14. A practitioner's obligation regarding accuracy of representations generally requires distinguishing between a genuine factual dispute and a representation the practitioner:

A. Made verbally and a statement the practitioner made in a formal written document instead
B. Made to a supervisory IRS employee and a statement made to a non-supervisory IRS employee
C. Knows to be objectively false regardless of how the underlying facts are ultimately characterized
D. Made during business hours and a statement made outside of normal business hours entirely

15. A practitioner's written tax opinion should generally address counterarguments the IRS might reasonably raise to:

A. Satisfy a purely cosmetic formatting requirement with no genuine substantive purpose whatsoever
B. Guarantee the client a specific favorable outcome regardless of the counterarguments' actual persuasive strength
C. Eliminate the practitioner's own underlying obligation to conduct genuine, substantive analysis of the matter
D. Provide the client with a genuinely balanced assessment rather than an overly one-sided presentation

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

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

17. A practitioner's advertising claim regarding the firm's specific number of years of combined staff experience should generally be:

A. Accurate and calculated using a genuinely consistent, disclosed methodology for combining individual experience

B. Rounded up substantially to present a more impressive-sounding figure to prospective clients considering the firm

C. Omitted entirely from all advertising, since combined-experience claims are categorically prohibited under Circular 230

D. Based on the founder's personal years of general life experience rather than the staff's actual experience

18. A practitioner's Section 10.20 obligation regarding record submission generally applies to electronically stored records to the same extent as physical paper records because:

A. IRS regulations specifically exempt electronically stored records from this particular submission obligation entirely

B. Electronic records are treated as categorically less reliable than physical paper records for this purpose

C. The obligation applies only where the practitioner has voluntarily converted electronic records into paper form

D. The obligation focuses on the records' genuine relevance to the matter, not the specific medium in which they are stored

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

A. An entirely acceptable practice, since practitioners bear no obligation to identify every possible credit available

B. A matter completely outside any Circular 230 concern whatsoever regarding the practitioner's overall conduct

C. A potential shortfall in the competence and diligence Circular 230 expects of practitioners generally

D. Relevant only if the client can affirmatively prove the practitioner deliberately withheld this specific information

20. A practitioner's conflict of interest evaluation should generally be repeated where an existing client's matter reveals the client is now a defendant in a lawsuit another existing client filed because:

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

21. A practitioner's disreputable conduct violation involving knowingly assisting a client in claiming a fabricated dependent generally is evaluated with particular seriousness because it involves:

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

22. A practitioner's obligation to maintain confidentiality of client information generally applies to information shared during a joint representation of spouses, subject to:

A. The general understanding that information shared by either spouse is available to both within the joint representation
B. No genuine exception whatsoever, meaning each spouse's individually shared information remains fully separate always
C. An exception allowing free disclosure of any spousal information to any unrelated outside party whatsoever
D. An exception that applies only where both spouses formally consent to the disclosure in writing

23. A practitioner's decision to decline continuing representation upon learning the client intends to relocate assets specifically to frustrate IRS collection efforts is generally:

A. A violation of an implied duty to assist with any client objective regardless of its actual legality
B. An appropriate exercise of professional judgment consistent with Circular 230's overall standards for practitioners
C. Irrelevant to Circular 230, since declining continued representation carries no professional significance whatsoever
D. Permitted only if the practitioner first obtains a formal court ruling confirming the intended conduct is illegal

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

A. Only the factual basis for the requested number, never any characterization offered by the practitioner
B. Only any characterization offered, never the factual basis for the requested identification number itself
C. Neither category, since accuracy obligations apply only to numerical calculations specifically involved in the matter
D. Both the factual basis for the requested number and any characterization of the underlying facts offered

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

A. Always carries a lower total financial impact on the practitioner than any private reprimand imposed
B. Carries no genuine disciplinary significance, unlike a private reprimand which is treated as more serious
C. Applies only to attorneys, while a private reprimand applies exclusively to Enrolled Agents specifically
D. Prevents the practitioner from practicing before the IRS during the sanction's duration, unlike a reprimand

26. A practitioner's monetary penalty under Section 10.50 generally may be assessed even where the underlying violation caused no actual financial harm to a client because:

A. Financial harm to a client is always a mandatory legal prerequisite before any penalty may be assessed

B. The penalty is calculated using the exact same formula applied to calculate any client's own restitution

C. The penalty addresses the violation of professional standards itself, not solely any resulting client financial harm

D. OPR is legally prohibited from assessing this penalty absent proof of specific quantifiable client harm

27. A practitioner's reinstatement following disbarment generally requires OPR to consider whether the practitioner has taken steps to address the specific circumstances that led to:

A. The original violation, demonstrating a genuine reduced likelihood of similar future misconduct occurring

B. Only the practitioner's own personal financial need to resume practicing before the IRS going forward

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 genuinely fair

28. A practitioner's obligation to disclose a conflict extends to a conflict arising from the practitioner's role as an officer or director of a nonprofit organization that is also a client, requiring the practitioner to generally:

A. Simply resign from the governance role entirely with no disclosure or evaluation ever required at all

B. Evaluate whether the governance role could create competing obligations with the separate tax representation provided

C. Ignore the governance role entirely, since it is treated as unrelated to the tax representation itself

D. Disclose only to board members who specifically and independently ask about the practitioner's dual role

29. A practitioner's overall approach to identifying potential conflicts for a matter involving a client obtained through the practitioner's own continuing education instructor role 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 former-student client automatically presents no possible conflict of any kind whatsoever
C. Skipping the conflict check entirely, since former-student clients are presumed to be pre-vetted already
D. Relying exclusively on the practitioner's own personal judgment that no conflict genuinely exists here

30. A practitioner's overall professional obligations under Circular 230 reflect a recognition that voluntary compliance depends on taxpayers believing that practitioners will not:

A. Provide any genuine value whatsoever to clients beyond simply completing routine paperwork accurately
B. Exploit their specialized knowledge to help clients evade legitimate tax obligations at the system's expense
C. Ever charge a reasonable fee for professional services genuinely rendered to a client
D. Ever disagree with a client's own stated position regarding a specific tax matter presented

31. A practitioner's overall commitment to Circular 230's standards ultimately reflects an understanding that the profession's continued self-governance depends on:

A. Only the individual practitioner's own personal professional reputation and standing within the community
B. Only the IRS's own narrow institutional interest in efficient case processing across the system
C. Practitioners genuinely policing their own conduct rather than relying solely on external enforcement mechanisms
D. Only competing practitioners' interests in a level playing field within the broader profession

32. A taxpayer's power of attorney should generally include the taxpayer's own daytime telephone number to:

A. Satisfy a purely arbitrary IRS formatting preference carrying no genuine substantive purpose whatsoever

B. Allow the IRS to calculate the practitioner's applicable continuing education fee more accurately

C. Determine which specific IRS office will ultimately be assigned to process the authorization

D. Facilitate the IRS's ability to reach the taxpayer directly if genuinely necessary during the matter's handling

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. Endorse or negotiate a refund check issued to the taxpayer absent specific separate authorization for that activity

C. Receive copies of notices regarding the specifically covered matters

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

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

A. IRS regulations specifically require every penalty abatement request to be treated as an entirely new, unrelated matter

B. A penalty abatement request is treated as automatically and categorically outside the original authorization's scope

C. The authorization's scope generally extends to matters genuinely arising from the same covered tax period

D. The taxpayer must affirmatively resubmit an identical authorization for the penalty abatement phase specifically

35. A taxpayer's assessment statute of limitations generally is tolled during the period a request for equitable relief under Section 6015(f) is pending because:

A. Equitable relief requests are always automatically granted, eliminating any need for tolling consideration entirely

B. The assessment statute never applies to any matter involving a joint return of any kind whatsoever

C. The IRS lacks any authority whatsoever to address matters involving equitable relief requests generally

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

36. A taxpayer's Form 872 extension request should generally be evaluated by the practitioner against whether the extension would allow completion of:

A. A needed independent appraisal or expert analysis that could not otherwise be completed before the deadline

B. An entirely unrelated matter having no genuine connection to the current examination at issue

C. A routine annual return for a subsequent, unrelated tax year not currently under examination

D. A formal complaint against the specific examining agent handling the current matter under review

37. A taxpayer's position supported by a formal Chief Counsel Advice memorandum addressing an analogous but not identical fact pattern generally reflects:

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

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

C. Internal IRS legal analysis, a genuinely relevant though not binding factor in the overall risk assessment

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

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

A. An automatically frivolous position lacking any recognized basis whatsoever under applicable standards

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

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 in the matter

39. A taxpayer's disclosure of a position through Form 8275 involving reliance on a scholarly law review article generally should include:

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

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

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

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

A. Only whether the taxpayer's representative believes the delay is generally unfair as a broader policy matter
B. Whether the delay is causing genuine, documented financial hardship beyond ordinary inconvenience experienced by the taxpayer
C. Only the specific total dollar amount of the proposed installment agreement, with no further inquiry needed
D. Only whether the taxpayer has previously requested an installment agreement in any prior tax year

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

A. Automatically grant the taxpayer's underlying substantive claim regardless of its actual legal merits presented

B. Waive the taxpayer's underlying tax liability entirely regardless of its actual legal correctness overall

C. Terminate the employment of the specific IRS employee responsible for the processing delay entirely

D. Expedite processing of the specific agreement consistent with the applicable hardship criteria actually established

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 passport-related certification matters of any kind whatsoever

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

C. A denial of a requested passport certification reversal, in addition to other tax matters generally

D. Only matters involving amounts below a specific dollar threshold established for this purpose

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

A. The specific timing and character of income recognition applicable to the staking rewards actually received

B. Only the specific cryptocurrency exchange's overall general reputation in the industry at the time

C. Only the taxpayer's personal opinion regarding cryptocurrency staking arrangements generally as an investment

D. Only the specific number of validators involved in the overall staking network structure

45. A conflict check's scope for a matter involving multiple participants in the same cryptocurrency staking pool should generally extend to:

A. Only the staking pool's own formal legal name, with no inquiry into individual participants involved
B. Only the specific blockchain network on which the staking pool actually operates currently
C. Each individual participant, given their potential differing interests in the pool's ultimate tax treatment
D. Only the total dollar value of the overall staking pool at the current time

46. A taxpayer's account transcript entry reflecting an adjustment to unreported staking reward income generally indicates:

A. An automatic, complete forgiveness of any resulting tax liability regardless of the adjustment made
B. The IRS identified staking rewards that were not properly reported as income when actually received
C. An entry unrelated to any actual IRS action, requiring no further explanation at all needed
D. A penalty specifically assessed against the taxpayer for having participated in staking generally

47. A practitioner's analysis challenging a proposed adjustment involving unreported staking rewards should generally focus on:

A. Only the taxpayer's personal opinion regarding whether the adjustment is generally fair to the taxpayer
B. Only the specific examiner's overall years of experience conducting examinations of similar matters
C. Only the specific cryptocurrency exchange's overall stock price performance during the relevant period
D. Identifying specific facts demonstrating the correct timing and amount of income actually recognized

48. A requesting spouse's Innocent Spouse Relief claim involving unreported staking rewards the other spouse solely controlled generally should address:

A. Whether the requesting spouse had actual knowledge of the staking activity generating the unreported income
B. Only the requesting spouse's personal opinion regarding cryptocurrency staking arrangements generally as an investment
C. Only the couple's total combined years of marriage before the staking activity began
D. Only the requesting spouse's current occupation and specific employer at the present time

49. A practitioner's documentation for a matter involving a challenge to an unreported staking reward adjustment should generally address the specific:

A. Only the couple's original choice of wedding venue and related details from that occasion
B. Only the couple's shared taste in home decor and furnishings throughout their residence
C. Only the couple's preferred vacation destinations over the years they have been married
D. Dates rewards were received and the fair market value at the time of actual receipt by the taxpayer

50. A practitioner's early assessment of potential criminal exposure in a matter involving unreported cryptocurrency staking rewards should generally weigh:

A. Whether the taxpayer's reporting reflects genuine good-faith confusion or deliberate concealment of taxable income
B. Only the specific cryptocurrency exchange involved in facilitating the underlying staking transaction
C. Only the client's overall general demeanor during a single initial consultation meeting held
D. Only the specific total number of tokens the taxpayer received through staking generally

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

A. Advising the client to consult with counsel experienced in tax controversy matters generally
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 for the matter
D. Continuing to handle unrelated civil matters for the client within the practitioner's actual competence

52. A Kovel arrangement's application to a cryptocurrency staking matter generally requires the accountant's analysis to be:

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

B. Shared freely and openly with the IRS as the analysis progresses through its stages
C. Directed by the attorney and genuinely connected to assisting the attorney's legal advice on the matter
D. Focused exclusively on matters having no connection whatsoever to any legal advice provided

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

A. Wallet transaction records, exchange statements, and documentation supporting the timing of reward receipt
B. Only the taxpayer's own general assertion the staking was properly reported with no supporting documentation given
C. Only the exchange's general marketing materials describing its overall staking program benefits
D. Only the taxpayer's personal opinion regarding the overall fairness of cryptocurrency tax rules

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

A. Only rewards received before versus after a specific arbitrary calendar date unrelated to the reporting requirements
B. Only rewards held in one specific digital wallet versus rewards held in another separate wallet
C. Rewards properly reported at fair market value upon receipt and rewards omitted from the return entirely
D. Only rewards from a staking pool with an odd-numbered name versus an even-numbered name

55. A practitioner's overall case-building strategy for a matter involving numerous staking transactions requiring individual valuation should generally include:

A. Only a narrative description with no systematic tracking of any kind provided at all here
B. A systematic spreadsheet or similar tool tracking each reward's receipt date and fair market value
C. Only the exchange's own proposed valuation of each reward, accepted without independent review whatsoever
D. Avoiding any systematic tracking entirely to prevent inviting additional scrutiny from the examiner

56. A practitioner's overall preliminary case assessment process for a cryptocurrency staking matter should generally include documenting:

A. Only the practitioner's own personal fee arrangement for handling the specific matter at issue
B. Only the specific software the practitioner intends to use going forward in the matter
C. Only the client's general overall satisfaction with the practitioner's services to date so far
D. The specific staking mechanism and its implications for the applicable income recognition timing rules

57. A practitioner's case-building work for a matter involving a taxpayer's claimed reasonable cause for unreported staking income should generally document:

A. Only the taxpayer's own personal, subjective belief that reasonable cause genuinely exists in the matter
B. Only the specific total dollar amount of the unreported income at issue in the matter
C. Only the specific cryptocurrency exchange the taxpayer originally used for the staking activity
D. The specific circumstances genuinely preventing timely awareness, such as documented platform reporting failures

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

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

59. A practitioner's case-building process for a cryptocurrency staking matter ultimately aims to ensure the taxpayer's reporting position is:

A. Genuinely supported by the actual facts developed, not assumed based on the mere fact staking occurred

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

C. Automatically unfavorable to the taxpayer whenever staking occurs, regardless of the actual facts present

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 cryptocurrency staking matter should generally reflect an understanding that the applicable rules:

A. Apply flexibly on a case-by-case basis with no genuine current guidance actually involved at all

B. Involve genuinely evolving guidance warranting careful, current research and precise documentation of each transaction

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

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

61. A taxpayer's short-term payment plan proposal for a taxpayer with an adjustment for unreported staking rewards generally should address:

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

B. Whether the resulting additional tax liability affects the taxpayer's current available cash for payment made

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

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

62. A taxpayer's non-streamlined installment agreement for a taxpayer with an adjustment for unreported staking rewards generally requires the Collection Information Statement to reflect:

A. Only the taxpayer's financial position exactly as it existed before the staking rewards were ever received

B. Only the specific cryptocurrency exchange's own general financial standing and reputation currently

C. The current financial picture, including any converted or liquidated value from the staking rewards actually received

D. Only the specific wallet provider through which the staking rewards were originally received by the taxpayer

63. A taxpayer's offer in compromise for a taxpayer with an adjustment for unreported staking rewards generally requires the RCP calculation to reflect:

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

B. Only the rewards' originally received fair market value from the earlier, already-completed staking activity

C. Only the specific cryptocurrency exchange's own general fee schedule for facilitating staking transactions

D. The taxpayer's current actual assets and income, including any remaining converted value from the rewards received

64. A lien filed against a taxpayer's assets following an adjustment for unreported staking rewards generally attaches:

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

B. Only to the specific digital wallet holding the staking rewards, not to the taxpayer's other separate assets

C. To neither the taxpayer's own assets nor the digital wallet, since staking rewards are treated as exempt

D. Only to the cryptocurrency exchange's own separate corporate assets used to facilitate the staking

65. A levy on a taxpayer's assets following an adjustment for unreported staking rewards generally is subject to:

A. An automatic exemption from levy specifically because the underlying liability arose from staking rewards received

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

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

D. Approval requirements from the cryptocurrency exchange before any levy may actually proceed against the taxpayer

66. A Currently Not Collectible determination for a taxpayer with a significant liability from an adjustment for unreported staking rewards generally requires evaluating:

A. Only the original unreported rewards amount from the now-adjusted staking activity itself completed

B. Only the specific cryptocurrency exchange's own general reputation in the industry currently overall

C. Only whichever figure the taxpayer happens to personally prefer be used for this determination generally

D. The taxpayer's current genuine ability to pay, not the original amount of the unreported rewards

67. A taxpayer's CDP hearing addressing a proposed levy following an adjustment for unreported staking rewards should generally raise the specific issue of:

A. Only the taxpayer's general personal opinion regarding the fairness of cryptocurrency tax rules generally

B. Only the specific total number of years the taxpayer has invested in cryptocurrency generally overall

C. Whether the levy would create genuine hardship given the taxpayer's actual current financial circumstances presented

D. Only the specific federal agency responsible for regulating cryptocurrency staking arrangements generally overall

68. A TFRP assessment is generally unrelated to an adjustment for unreported staking rewards matter because TFRP addresses:

A. Unpaid employment trust fund taxes, a distinct issue from the individual income tax consequences of staking rewards

B. The exact same underlying tax issue an unreported rewards adjustment itself addresses, applied to a different type

C. A penalty specifically triggered whenever a cryptocurrency staking reward goes unreported by any taxpayer

D. An issue that only arises for taxpayers who have previously received cryptocurrency staking rewards generally

69. A responsible person's TFRP liability generally is unrelated to whether the person separately received cryptocurrency staking rewards because:

A. TFRP liability turns on control over trust fund payments, not on the person's own separate staking income

B. Staking reward receipt automatically increases the responsible person's TFRP exposure regardless of any other factor present

C. Taxpayers receiving staking rewards are categorically exempt from any TFRP assessment whatsoever under the rules

D. TFRP liability is calculated using the same formula applied to calculate staking reward income amounts

70. A practitioner's Section 7525 privilege claim regarding communications about the tax treatment of cryptocurrency staking rewards generally requires establishing the communication:

A. Occurred during the cryptocurrency exchange's normal business hours specifically during that period

B. Was communicated in writing rather than verbally during a meeting held with the client

C. Genuinely concerned tax advice regarding the rewards, not merely general cryptocurrency investment guidance provided

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

71. A taxpayer's Cohan estimate is generally inapplicable to establishing the precise fair market value of staking rewards at the time of receipt because:

A. Cohan estimates apply exclusively to matters involving traditional currency rather than cryptocurrency generally

B. The value must be established using actual market data at the specific receipt date, not through estimation

C. The receipt-date value is treated as flexible and subject to reasonable estimation under applicable case law

D. Cryptocurrency matters are categorically excluded from any application of the Cohan doctrine whatsoever entirely

72. A practitioner's review of an RAR's proposed adjustment for unreported staking rewards should generally verify the examiner's:

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

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

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

D. Specific factual findings regarding the receipt dates and valuation methodology actually cited as the basis

73. A taxpayer's response to a 30-day letter proposing an adjustment for unreported staking rewards should generally address whether:

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

B. The specific dates and valuation figures genuinely reflect the actual amounts received by the taxpayer

C. The taxpayer's representative has personally ever encountered a similar staking issue before in past matters

D. The specific calendar month in which the rewards were received happens to be convenient for the taxpayer

74. A CP-2000 notice's proposed adjustment involving a discrepancy related to unreported staking rewards should generally prompt verification against:

A. Only the specific cryptocurrency exchange's overall general reputation in the industry currently overall

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

C. The taxpayer's actual exchange transaction records and how the rewards were genuinely reported on the return

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

75. A taxpayer's Tax Court petition contesting an adjustment for unreported staking rewards should generally identify:

A. Only the taxpayer's own general, unsupported opinion regarding cryptocurrency staking arrangements generally overall

B. Only the total number of staking platforms the taxpayer has used over the taxpayer's lifetime

C. Only the specific cryptocurrency exchange the taxpayer originally used for the staking activity itself

D. The specific basis for disputing the examiner's factual findings regarding receipt dates or valuation

76. A taxpayer's Appeals conference preparation for an unreported staking rewards dispute should generally include:

A. A clear presentation of the specific evidence supporting the actual receipt dates and valuation figures used

B. Simply asserting the reporting was proper with no supporting evidence or documentation provided at all

C. Avoiding any discussion of the applicable valuation methodology to prevent inviting additional scrutiny entirely

D. Deferring entirely to the Appeals Officer to independently reconstruct the supporting evidence needed here

77. A taxpayer's decision to accept an Appeals settlement resolving an unreported staking rewards dispute should generally be documented to specify:

A. Only the Appeals Officer's own general personal preference regarding cryptocurrency staking arrangements generally overall

B. The specific income amount ultimately recognized and the resulting tax effect for the applicable year
C. Only the specific conference room where the settlement was actually reached during the meeting
D. Only the taxpayer's general overall satisfaction with how the dispute was ultimately resolved overall

78. A taxpayer's small tax case election is generally available for an unreported staking rewards dispute where the disputed amount:

A. Falls at or below the applicable dollar threshold, regardless of the underlying transaction's complexity overall
B. Involves any cryptocurrency staking activity whatsoever, since such activity is categorically excluded from this election
C. Requires the taxpayer to first obtain the IRS's own advance consent to elect this simplified procedure
D. Must involve a business entity specifically, since individual taxpayers cannot receive cryptocurrency staking rewards

79. A taxpayer's formal written protest for an unreported staking rewards dispute should generally cite specific evidence supporting:

A. Only the taxpayer's own general, unsupported opinion regarding which treatment seems fairer to the taxpayer
B. Only a demand that the examiner simply accept the taxpayer's proposed treatment without question raised
C. The taxpayer's actual reported receipt dates and valuation methodology under the applicable governing rules
D. Only a general assertion that the examiner's proposed adjustment is obviously too large with no further detail given

80. A taxpayer's Appeals settlement for an unreported staking rewards dispute involving a partial reduction in the adjusted amount generally should be documented to specify:

A. Only the Appeals Officer's own general personal philosophy regarding cryptocurrency staking arrangements generally overall
B. Only the specific date the original staking activity first began for the taxpayer

C. Only the taxpayer's general overall satisfaction with how the dispute was ultimately resolved overall
D. How the reduced adjustment amount was ultimately determined and the resulting recalculated tax effect

81. A taxpayer's decision to pursue Post-Appeals Mediation for an unreported staking rewards dispute should generally weigh whether:

A. The specific mediator happens to have personal experience with cryptocurrency trading platforms specifically overall
B. Mediation sessions are scheduled on a specific day of the week the taxpayer personally prefers overall
C. A neutral mediator could genuinely help resolve the specific remaining factual disagreement over valuation dates
D. The taxpayer's representative has previously used mediation in an entirely unrelated prior matter altogether

82. A taxpayer's Appeals conference outcome for an unreported staking rewards dispute resulting in a partial concession by the IRS generally reflects:

A. A purely arbitrary split with no genuine underlying analytical basis whatsoever presented in the matter
B. A hazards-of-litigation compromise recognizing genuine factual uncertainty regarding the valuation dispute at issue
C. An automatic default rule the IRS applies to every single unreported staking rewards dispute generally
D. A clerical error in properly calculating the correct final resolution amount for the matter overall

83. A practitioner's overall goal in preparing case-building materials for an unreported staking rewards Appeals conference should generally include:

A. Anticipating challenges to the taxpayer's receipt dates and valuation methodology and preparing well-supported responses

B. Assuming the Appeals Officer will simply accept the reporting without any independent scrutiny of the record
C. Preparing responses only to challenges the taxpayer's representative personally finds interesting in the matter
D. Preparing exclusively for challenges about matters entirely unrelated to the actual staking rewards dispute itself

84. A practitioner's overall approach to representing a taxpayer in an unreported staking rewards dispute should generally reflect an understanding that:

A. The IRS generally grants broad equitable exceptions to the income recognition timing requirements upon request
B. The income recognition requirements are treated as merely advisory guidelines with no genuine enforcement consequence at all
C. Courts routinely excuse inaccurate valuation figures regardless of the taxpayer's specific circumstances presented overall
D. Accurate reporting of income recognition timing is generally required, leaving little room for informal estimation

85. A preparer's software calculation for a return involving cryptocurrency staking rewards should generally still involve manual review of:

A. Whether each reward's receipt date and fair market value were correctly captured and consistently applied
B. Only the federal portion, since state-level staking calculations are treated as automatically reliable by default
C. No portion of the return at all, since staking software is treated as inherently more accurate overall
D. Only the client's name and address fields, with no substantive calculation review needed at all

86. A preparer's discovery of a duplicate entry affecting reported staking reward income illustrates the importance of reviewing:

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

B. How the total income amount was actually calculated and whether figures were entered only once
C. Only the client's stated preference for how the rewards should ultimately be characterized generally
D. Only the total number of platforms the taxpayer has used for staking activities generally

87. A preparer's Section 6107(b) obligation for a return involving cryptocurrency staking reward income generally applies to:

A. Only the portion of the return unrelated to the staking activity specifically involved in the matter
B. Only a separate, distinct recordkeeping category maintained apart from the general return records kept
C. Only if the IRS specifically requests the staking documentation be separately retained by the preparer
D. The return as a whole, including the specific transaction records supporting the reported income

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

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

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 undertaken
B. Client base includes taxpayers with genuinely complex returns, such as those involving cryptocurrency staking
C. Background has actually been reviewed as part of the applicable application process undertaken overall
D. Information provided in the application has actually been verified for accuracy by the reviewer

90. A firm's decision to accept clients requiring cryptocurrency staking reward reporting should generally include evaluating whether the firm has:

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

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 cryptocurrency staking income
B. Returns filed for individual taxpayers and returns filed for business entities within the same firm
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 cryptocurrency staking issue should generally reference:

A. Only the preparer's own general opinion regarding the complexity of cryptocurrency tax rules generally overall
B. Only the specific cryptocurrency exchange the taxpayer actually used to facilitate the staking activity
C. Only the preparer's own past filing history with that particular client over prior years filed
D. The specific recognized exception category actually applicable, not the underlying complexity of the staking issue itself

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

A. The mere complexity of a client's cryptocurrency staking income, since complexity alone is not a recognized hardship category

B. A documented, significant technology failure genuinely preventing electronic filing of the return in question
C. A documented lack of reliable internet access genuinely preventing electronic filing of the return altogether
D. A documented religious objection genuinely qualifying under the applicable recognized exception available generally

94. A taxpayer's Form 8879 authorization for a return involving cryptocurrency staking reward income generally requires the taxpayer to:

A. Personally understand every technical detail of the blockchain validation process before signing the authorization
B. Obtain independent verification of the wallet balance from a completely separate practitioner or accountant
C. Review the completed return, including the reported staking income, before signing the authorization for filing
D. Sign a supplemental form specifically acknowledging the staking activity's inherent complexity for the record

95. An ERO's Form 8879 retention obligation for a return involving cryptocurrency staking reward income generally is:

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

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

A. Only whether the staking income happens to be favorable or unfavorable to the taxpayer overall this year

B. Only the specific total dollar amount of the resulting income claimed on the return filed

C. Only whether the taxpayer has previously received staking rewards in any prior tax year filed

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

97. A rejected return involving cryptocurrency staking reward income should generally have its correction verified to confirm:

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

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

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

D. The taxpayer's stated preference for a specific refund method remains unchanged from the original filing

98. A preparer's overall response protocol for rejections affecting returns with cryptocurrency staking reward issues should generally include:

A. Automatic assignment to whichever staff member happens to be available first, regardless of relevant experience held

B. Escalation to a more experienced staff member familiar with the specific staking valuation rules involved

C. No differentiated protocol at all, since all rejections are treated identically regardless of underlying complexity present

D. Automatic resubmission without any review, since staking rejections are presumed to be simple errors overall

99. A preparer's overall e-file compliance program should generally include staff training on recognizing when a return's complexity, such as cryptocurrency staking reward income, warrants:

A. Additional review before transmission, given the heightened risk of errors in such complex calculations involved

B. No additional review of any kind, since e-file compliance training is treated as unrelated to substantive accuracy

C. Automatic rejection of the engagement entirely, since complex returns are presumed too risky to prepare at all

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

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

A. Complex returns carry no meaningfully different compliance considerations from a routine, simple filing overall

B. Compliance attention should actually decrease as a return's underlying complexity genuinely increases over time

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

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

Practice Exam 25: Answer Key and Explanations

1. B — A—This disclosure always allows the IRS to genuinely evaluate the applicant's overall fitness and good character to practice before the agency going forward. It does not result in automatic denial regardless of the conviction's nature or timing, does not trigger police notification, and does not affect any application fee calculation.

2. A — B—The practitioner should generally work with the IRS to determine what credit, if any, remains legitimately earned, and obtain makeup hours as needed. This does not result in automatic immediate loss of status with no opportunity, is not entirely consequence-free for the practitioner, and does not require retaking the full SEE.

3. C — C—This update should always genuinely be completed promptly following the change, through the applicable official IRS notification process available for practitioners. It is not limited to waiting until the next renewal cycle, is not limited to responding only upon a specific inquiry, and does not require first updating social media.

4. D — D—This decision generally reflects OPR's conclusion that the proposed settlement terms would not genuinely adequately address the severity of the underlying violation. The practitioner's own procedural preference, the specific calendar month of the conduct, and prior OPR interaction history alone are not themselves the substantive factors this decision turns on.

5. B — B—Due diligence always requires a reasonable inquiry into whether the loss genuinely qualifies under the applicable federally declared disaster requirements currently in effect. 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. A — A—The existence of conflicting circuit authority is itself genuinely relevant to weighing the overall strength of the position under Section 10.34. A circuit split does not automatically preclude substantial authority, the analysis is not limited only to the taxpayer's home circuit, and the obligation is not entirely waived by a split.

7. D — D—Such a claim is treated as sufficiently distinct from an original return position, falling within a recognized permitted contingent fee exception category. It is 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—Such an arrangement should always clearly specify how unused retainer funds will genuinely be handled upon the engagement's conclusion or early termination by either party. The practitioner's own general structuring preference, the specific bank used for deposit, and the practitioner's years of retainer experience are not themselves this required specification.

9. D — D—Unauthorized use of an IRS seal or logo is potentially misleading, since it may improperly suggest an official affiliation or endorsement that genuinely does not exist. This is not categorically exempt from scrutiny, is not cured simply by adding a small disclaimer, and is not automatically dismissed as harmless decoration.

10. C — C—This particular analysis evaluates whether the shared financial interest could reasonably be perceived as affecting the practitioner's independent judgment in the matter at hand. The property's current total value, general property-related communication between the parties, and the co-ownership's years in existence are not themselves the substantive factors this analysis turns on.

11. A — A—Proper documentation should always clearly address the specific safeguards actually in place to prevent the shared financial interest from improperly influencing the matter's overall handling here. The practitioner's own opinion of the property's profitability, the disputed dollar amount, and the co-ownership's timing relative to enrollment are not this required content.

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

13. B — B—This particular violation may be established where the practitioner actually knew or recklessly disregarded that the template's content no longer reflected accurate information available. Simply using the template as routine standardized workflow, never having personally drafted it, and delegating the sending task alone do not themselves establish this reckless disregard standard.

14. C — C—This obligation requires distinguishing between a genuine factual dispute and a representation the practitioner genuinely knows to be objectively false regardless of characterization. The distinction is not between verbal and written statements, is not based on the recipient's supervisory status, and is not based on the timing relative to business hours.

15. D — D—Addressing likely counterarguments provides the client with a genuinely balanced assessment rather than an overly one-sided, incomplete presentation of the matter. This is not a purely cosmetic formatting requirement, does not guarantee a favorable outcome regardless of counterargument strength, and does not eliminate the underlying analytical obligation the practitioner holds.

16. A — A—Competence here always requires sufficient understanding of the digital asset implications, or appropriate referral to a practitioner with relevant genuine digital asset expertise available. Automatic acceptance regardless of actual familiarity, automatic decline foreclosing development, and sole reliance on the client's own understanding are all inappropriate responses to this specific matter.

17. A — A—Such a claim should always be accurate and calculated using a genuinely consistent, disclosed methodology for combining the staff's individual experience over time. Substantially rounding up for impressiveness, categorically prohibiting all such claims, and basing the figure on the founder's general life experience rather than staff experience are all inappropriate approaches.

18. D — D—This obligation focuses on the records' genuine relevance to the matter at hand, not the specific medium in which they happen to be stored. There is no regulation exempting electronic records from this obligation, electronic records are not treated as categorically less reliable, and conversion to paper form is not required.

19. C — C—Failing to identify clearly applicable Earned Income Tax 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.

20. B — B—Reevaluation is always genuinely warranted because the newly discovered lawsuit directly creates genuine adversity likely requiring reevaluation of both existing representations at issue 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. C — C—This violation is treated with particular seriousness because it involves a direct compromise of the accuracy the tax system genuinely depends upon for proper administration. 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. A — A—Confidentiality in joint spousal representation always generally operates under the understanding that information shared by either spouse is genuinely available to both parties. There is no exception treating each spouse's information as fully separate, no exception permitting free disclosure to unrelated outside parties, and no requirement of separate formal written consent.

23. B — B—Declining continued representation upon learning of this intended conduct is always an appropriate exercise of judgment consistent with Circular 230's overall standards set. There is no implied duty to assist regardless of legality, this decision carries genuine professional significance, and no prior court ruling is required to properly decline representation.

24. D — D—This accuracy obligation always extends to both the factual basis for the requested identification number and any characterization of the underlying facts offered by the practitioner. It is not limited only to factual representations, is not limited only to legal or factual characterization, and is not limited only to purely numerical calculations.

25. D — D—A suspension prevents the practitioner from actually practicing before the IRS during the sanction's genuine duration, unlike a private reprimand which does not. A suspension is not always a lower financial impact than a reprimand, does carry genuine disciplinary significance, and is not limited to attorneys while reprimands apply to EAs.

26. C — C—This penalty addresses the genuine violation of professional standards itself, not solely any resulting financial harm actually suffered by a client. Financial harm is not always a mandatory prerequisite, the penalty is not calculated using a client restitution formula, and OPR is not prohibited from assessing it absent quantifiable harm.

27. A — A—OPR always considers whether the practitioner addressed the specific circumstances leading to the original violation, demonstrating a genuinely reduced likelihood of recurrence occurring again in the future. The practitioner's own financial need, mere elapsed years alone, and the practitioner's own opinion about the original sanction's fairness are not themselves this required consideration.

28. B — B—This scenario always requires evaluating whether the governance role could genuinely create competing obligations with the separate tax representation actually provided to the client. Simply resigning with no disclosure at all, ignoring the governance role as unrelated, and disclosing only upon a specific inquiry all fail to satisfy this proactive disclosure obligation.

29. A — A—A former-student prospective client should undergo the same systematic conflict check applied to any other prospective client, regardless of how the client was 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 check.

30. B — B—These obligations always genuinely reflect the recognition that voluntary compliance depends on taxpayers believing practitioners will not exploit specialized knowledge to help evade legitimate obligations. This is not about practitioners providing no genuine value, is not about never charging reasonable fees, and is not about never disagreeing with a client's position.

31. C — C—This commitment always genuinely reflects the understanding that continued self-governance genuinely depends on practitioners policing their own conduct rather than relying solely on external enforcement. 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 competitors' interests.

32. D — D—Including the taxpayer's phone number always genuinely facilitates the IRS's genuine ability to reach the taxpayer directly if actually necessary during the matter's handling. This is not a purely arbitrary formatting preference, is unrelated to calculating any continuing education fee, and does not itself determine which office processes the authorization.

33. B — B—A standard power of attorney always genuinely does not authorize endorsing or negotiating a refund check absent specific separate authorization for that particular heightened activity granted. It does authorize discussing covered matters with the assigned IRS employee, receiving notice copies, and advocating the taxpayer's position at an examination interview held.

34. C — C—The authorization's scope generally extends to matters genuinely arising from the same covered tax period, including a related penalty abatement request for that year. There is no regulation treating every abatement request as an entirely new matter, such a request is not automatically outside the scope, and resubmission is not required.

35. D — D—This specific circumstance is among the statutorily recognized tolling events affecting the assessment statute directly when such a request is genuinely pending. Such requests are not always automatically granted, the assessment statute does apply to joint return matters generally, and the IRS does have authority to address equitable relief requests.

36. A — A—This request should be evaluated against whether the extension would allow completing a needed independent appraisal or expert analysis otherwise unavailable before the deadline. It is not about completing an unrelated matter, is not about completing a subsequent year's routine return, and is not about completing a formal complaint against the agent.

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

38. B — B—Reliance on a well-reasoned law review article, absent formal authority, generally reflects a reasonable basis argument, though genuinely weaker than formal authority available here. 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 present.

39. A — A—A proper disclosure should include a citation to the specific article 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.

40. D — D—This good-faith reliance demonstrates a genuine absence of intent to conceal facts from the government, even where the analysis ultimately proved incorrect. A published article 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 it.

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

42. D — D—Such a TAO may always generally direct the IRS to expedite processing of the specific agreement 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. C — C—An EA's unlimited practice rights extend to a denial of a requested passport certification reversal, 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.

44. A — A—A proper preliminary assessment confirms the specific timing and character of income recognition applicable to the staking rewards actually received by the taxpayer. The exchange's general industry reputation, the taxpayer's opinion of staking generally, and the number of validators alone are not themselves the substantive factors this assessment should focus on.

45. C — C—A thorough conflict check for this matter should extend to each individual participant, given their genuinely differing potential interests in the pool's ultimate overall tax treatment. The pool's formal legal name alone, the specific blockchain network used, and the total pool value are not themselves sufficient without this broader participant-level inquiry.

46. B — B—This entry generally indicates the IRS identified staking rewards that were genuinely not properly reported as income when actually received by the taxpayer. 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 staking.

47. D — D—A proper challenge focuses on identifying specific facts genuinely demonstrating the correct timing and amount of income actually recognized by the taxpayer. The taxpayer's general opinion of fairness, the examiner's years of experience, and the exchange's stock price performance 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 staking activity actually generating the unreported income at issue here. The requesting spouse's general opinion of staking, total years married, and current occupation are not themselves the primary consideration this specific knowledge-focused claim requires.

49. D — D—Proper documentation always addresses the specific dates rewards were received and the genuine fair market value at the time of actual receipt by the taxpayer here. Wedding venue choice, shared home decor taste, and vacation preferences are not themselves the substantive factors this specific reward-timing challenge should actually address here.

50. A — A—A sound assessment always weighs whether the taxpayer's reporting genuinely reflects good-faith confusion or instead deliberate concealment of actual taxable income received here. The specific exchange involved, the client's general demeanor at one meeting, and the total tokens received 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. C — C—A proper Kovel arrangement always requires the accountant's analysis be directed by the attorney and genuinely connected to assisting the attorney's actual legal advice given. 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 here.

53. A — A—Proper documentation should always genuinely include wallet transaction records, exchange statements, and documentation genuinely supporting the actual timing of reward receipt actually claimed. A bare general assertion with no supporting documentation, the exchange's marketing materials, and the taxpayer's opinion of fairness are not themselves this required documentation for the file.

54. C — C—A proper case assessment always distinguishes between rewards properly reported at fair market value upon receipt and rewards genuinely omitted from the return entirely. An arbitrary unrelated date, the specific digital wallet used, and mere naming convention are not themselves meaningful analytical distinctions this assessment should draw here at all.

55. B — B—Case-building for numerous staking transactions requiring individual valuation should always genuinely include a systematic spreadsheet tracking each reward's receipt date and market value carefully. Relying only on narrative with no tracking, simply accepting the exchange's valuation without review, and avoiding tracking entirely all fail to properly manage this complexity here.

56. D — D—A thorough preliminary assessment should always genuinely include documenting the specific staking mechanism and its genuine implications for the applicable income recognition timing rules actually 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. D — D—Case-building for this reasonable cause claim should always genuinely document the specific circumstances genuinely preventing timely awareness, such as documented platform reporting failures actually encountered. The taxpayer's own subjective belief alone, merely the total dollar amount, and merely the exchange used are not themselves this required documentation for the file.

58. C — C—A sound approach reflects careful, thorough fact development before committing to a specific strategic approach for this genuinely complex multi-platform 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 approach.

59. A — A—The genuine aim is ensuring the reporting position is actually supported by the facts genuinely developed, not simply assumed favorable or unfavorable based on the mere occurrence. 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 rules involve genuinely evolving guidance warranting careful, current research and precise documentation of transactions made. The rules do not apply flexibly with no current guidance, do warrant additional documentation, and the IRS is not prohibited from examining such matters.

61. B — B—This particular proposal should always genuinely 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 here.

62. C — C—This statement should always genuinely reflect the current financial picture, genuinely including any converted or liquidated value from the rewards actually received. It is not based on the pre-receipt position alone, is not based on the exchange's own financial standing, and is not based on merely the wallet provider used.

63. D — D—This particular RCP calculation always requires reflecting the taxpayer's current actual assets and income, genuinely including any remaining converted value from the rewards actually received. The taxpayer's mere structural preference, the rewards' earlier received value, and the exchange's fee schedule are not themselves this specific relevant content here at all.

64. A — A—This lien always attaches to the taxpayer's own property and rights to property generally, consistent with general federal tax lien principles applying broadly. It does not attach only to the specific digital wallet, is not exempt from attaching to the taxpayer's assets, and does not attach to the exchange's own separate corporate assets.

65. B — B—This levy always generally is subject to the same general levy procedures and applicable exemptions that would apply to any other tax liability owed. 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 exchange's approval to proceed.

66. D — D—A CNC determination for this specific taxpayer always genuinely requires evaluating the taxpayer's current genuine ability to pay, not the original unreported amount claimed. The original unreported rewards amount alone, the exchange's reputation, and the taxpayer's own preferred figure are all inadequate bases for this evaluation made in the matter.

67. C — C—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 presented here. A general opinion about cryptocurrency rules fairness, total years investing in cryptocurrency, and the regulating agency's identity are not themselves the substantive issue here.

68. A — A—TFRP always genuinely addresses unpaid employment trust fund taxes, a distinct issue entirely separate from the individual income tax consequences of staking rewards. It does not address the same underlying issue as an unreported rewards adjustment, is not specifically triggered by unreported rewards, and does not arise only for taxpayers who received rewards.

69. A — A—TFRP liability always genuinely turns on control over trust fund tax payments, entirely unrelated to whether the person separately received staking income here. Staking reward receipt does not automatically increase TFRP exposure, recipients are not exempt from TFRP, and the two use entirely different calculation methods altogether in every case.

70. C — C—Asserting this particular privilege always requires very clearly establishing the communication genuinely concerned tax advice regarding the rewards, not merely general investment guidance provided here. Communication timing during the exchange's business hours, written versus verbal communication, and copying outside counsel are not themselves the required elements this privilege claim demands.

71. B — B—The value always must be established using actual market data at the specific receipt date, not through Cohan-style estimation of any kind. Cohan estimates do not apply exclusively to traditional currency, the receipt-date value is not treated as flexible for estimation purposes, and cryptocurrency matters are not categorically excluded from Cohan.

72. D — D—A proper review always genuinely and carefully verifies the examiner's specific factual findings regarding the receipt dates and valuation methodology actually cited as the 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 verification.

73. B — B—The response should always genuinely and clearly address whether the specific dates and valuation figures genuinely reflect the actual amounts received by the taxpayer here. A mere unspecified alternative treatment preference, the representative's prior general experience, and the rewards' convenient receipt month are not themselves the substantive issue at hand.

74. C — C—This should always genuinely prompt verification against the taxpayer's actual exchange transaction records and how the rewards were genuinely reported on the return. The exchange'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. D — D—A proper petition always genuinely identifies the specific basis for disputing the examiner's factual findings regarding receipt dates or valuation issues raised. A general unsupported opinion about staking arrangements, mere lifetime platform usage count, and merely the exchange used are not themselves the required substantive content this petition needs here.

76. A — A—Preparation for this dispute should always genuinely include a clear presentation of the specific evidence supporting the actual receipt dates and valuation figures used. Simply asserting propriety with no supporting evidence, avoiding discussion of the methodology entirely, and deferring entirely to the Officer's own reconstruction all fail to properly advocate.

77. B — B—Proper settlement documentation should always genuinely and clearly specify the specific income amount ultimately recognized and the resulting genuine tax effect for the year at issue. The Officer's general personal preference regarding staking arrangements, the specific conference room location, and the taxpayer's general satisfaction are not themselves this required documentation content.

78. A — A—The small tax case election always genuinely is available where the disputed amount falls at or below the applicable dollar threshold, regardless of complexity. Cryptocurrency staking activity is not categorically excluded from this election, no advance IRS consent is required to elect it, and individual taxpayers can also receive such rewards.

79. C — C—A proper protest always genuinely and clearly cites specific evidence supporting the taxpayer's actual reported receipt dates and valuation methodology under governing rules cited. 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 needed here.

80. D — D—Proper documentation should always genuinely and clearly specify how the reduced adjustment amount was ultimately determined and the resulting genuine recalculated tax effect reached. The Officer's general philosophy regarding staking arrangements, the original activity start date, and the taxpayer's general satisfaction are not themselves this required documentation content for the file.

81. C — C—This decision should always genuinely weigh whether a neutral mediator could genuinely help resolve the specific remaining factual disagreement over valuation dates disputed. The mediator's unrelated personal cryptocurrency platform experience, a preferred scheduling day, and the representative's unrelated prior mediation experience are not themselves the substantive factors here at all.

82. B — B—A partial IRS concession always genuinely reflects a genuine hazards-of-litigation compromise, recognizing real factual uncertainty regarding the valuation disputed here at length. 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 made.

83. A — A—Effective preparation always genuinely and clearly includes anticipating challenges to the taxpayer's receipt dates and valuation methodology and preparing well-supported responses to them. Assuming the Officer will accept the reporting without scrutiny, preparing only for personally interesting challenges, and preparing only for unrelated matters all reflect inadequate preparation for the conference.

84. D — D—This approach should always genuinely reflect the understanding that accurate reporting of income recognition timing is generally required, leaving little room for estimation. The IRS does not generally grant broad equitable exceptions upon request, the requirements are not merely advisory, and courts do not routinely excuse inaccurate figures regardless of circumstances.

85. A — A—Manual review should always genuinely focus on whether each reward's receipt date and fair market value were correctly captured and consistently applied throughout. 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 here.

86. B — A—This discovery always genuinely and clearly illustrates the importance of reviewing how the total income amount was actually calculated and confirming figures entered once. The specific software version, the client's characterization preference, and the total platforms used are all irrelevant to this genuine substantive single-entry review needed here at all.

87. D — C—This obligation always genuinely and clearly applies to the return as a whole, genuinely including the specific transaction records supporting the reported income. 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 made at all.

88. C — D—Reasonable security should always genuinely and clearly reflect the genuine sensitivity and complexity of the underlying transaction and wallet data actually involved here. 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 clearly reflects meeting suitability standards regardless of whether the applicant's client base includes taxpayers with genuinely complex returns like staking. Suitability does depend on the applicant's own tax compliance history being reviewed, background being reviewed, and the application information being verified for accuracy here at all.

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

91. A — A—This determination always genuinely does not distinguish between routine returns and returns involving genuinely complex issues like staking income, treating both 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 for the return.

92. D — D—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. It should not merely reference the preparer's general opinion of staking complexity, the specific exchange used, or the preparer's unrelated past filing history at all.

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

94. C — C—The taxpayer generally must always genuinely and clearly review the completed return, including the reported staking income, before signing the Form 8879 authorization for filing. The taxpayer need not personally understand every technical blockchain detail, need not obtain a separate independent verification, and need not sign a specific supplemental complexity form.

95. B — B—This retention obligation always genuinely and clearly is the same standard obligation applicable to any other return, regardless of the underlying staking complexity actually involved. 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 here.

96. D — D—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 income is favorable or unfavorable, the specific income amount, and prior staking history are all irrelevant to this specific transmittal requirement check.

97. C — C—Verification should always genuinely and clearly confirm the specific identified error has been resolved without inadvertently altering the substantive income position actually taken here. 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 at all.

98. B — B—A sound protocol should always genuinely and clearly include escalation to a more experienced staff member genuinely familiar with the specific staking valuation rules involved here. Automatic assignment regardless of experience, no differentiated protocol at all, and automatic resubmission without review all fail to appropriately address this specific complexity here at all.

99. A — A—Training should always genuinely and clearly address recognizing when complexity like staking reward income warrants additional internal review, given the genuinely heightened risk of errors present. No additional review at all, automatic rejection of the engagement, and immediate escalation to the IRS bypassing internal review are all inappropriate responses here at all.

100. D — D—This overall commitment always genuinely and clearly reflects the recognition that genuine accuracy in complex matters requires the same careful compliance attention as usual. 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 overall.