PRACTICE EXAM 26: 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 the applicant to have satisfied any outstanding federal tax obligations because such compliance:

A. Automatically guarantees the applicant will never face any future disciplinary action of any kind whatsoever

B. Is required only for applicants seeking enrollment through the examination path, never the experience path

C. Determines the specific dollar amount of the application fee the applicant will ultimately owe

D. Reflects the applicant's own genuine willingness to follow the tax laws the applicant would help others navigate

2. A practitioner's continuing education hours earned through attending a live conference session generally qualify for credit provided:

A. The practitioner simply purchased a ticket to the conference regardless of whether attendance actually occurred

B. The practitioner's actual attendance can be verified through the applicable IRS-approved provider's tracking method

C. The conference session happened to be held in the practitioner's own home state specifically

D. The practitioner personally knows the specific conference speaker from some prior professional context

3. A practitioner's obligation to update the IRS regarding a change in the practitioner's own email address on file generally exists because:

A. Email addresses are treated as more legally significant than a practitioner's own physical mailing address

B. IRS regulations specifically require practitioners to use only a single, IRS-issued email account exclusively

C. The IRS increasingly relies on electronic communication to reach practitioners regarding enrollment and other matters

D. Failing to update the email address automatically triggers an immediate formal disciplinary proceeding

4. OPR's decision regarding whether to pursue a matter through the expedited suspension procedures generally reflects consideration of whether:

A. The practitioner's conduct presents an immediate threat requiring prompt action to protect the public or tax administration

B. Only the practitioner's own personal preference regarding which process OPR should actually pursue in the matter

C. Only the specific calendar month in which the underlying conduct happened to occur during that year

D. Only whether the practitioner has ever previously interacted with OPR in any capacity whatsoever before

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

A. A reasonable inquiry into whether the debt genuinely qualifies as acquisition indebtedness under applicable limits

B. Independent verification directly with the specific mortgage lender named on the underlying loan documents

C. Automatic disallowance of any mortgage interest claim exceeding a specific fixed dollar amount overall

D. No inquiry whatsoever, since mortgage interest claims are presumed accurate automatically by default

6. A practitioner's advice regarding a position with substantial authority generally accounts for the relative weight of a revenue ruling compared to a private letter ruling because:

A. Private letter rulings are always treated as carrying more precedential weight than any published revenue ruling
B. Both forms of guidance are treated as carrying identical precedential weight in every substantial authority analysis
C. Published guidance like a revenue ruling generally carries more precedential weight than a private letter ruling
D. The signing obligation is entirely waived wherever either form of guidance exists on the specific issue

7. A contingent fee arrangement is generally permitted for representation regarding a claim for a refund arising from an amended return correcting a mathematical error because such claims are:

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

8. A practitioner's fee arrangement involving hourly billing generally should specify the applicable rate for different categories of staff to:

A. Satisfy a purely arbitrary IRS formatting preference carrying no genuine substantive purpose whatsoever
B. Guarantee the total engagement cost will never exceed a specific predetermined dollar amount
C. Eliminate the need for the client to ever review any subsequent billing statement provided
D. Allow the client to genuinely understand how charges will vary depending on which staff member performs the work

9. A practitioner's advertisement claiming the firm has "award-winning service" without further detail is generally:

A. Potentially misleading unless the practitioner can substantiate the specific award referenced with genuine supporting evidence
B. Always permitted, since award-based marketing language is categorically exempted from any scrutiny whatsoever
C. Permitted only if every single competing firm in the area formally agrees with the claim made
D. Irrelevant to Circular 230, since it is treated as harmless marketing puffery under all circumstances

10. A practitioner's conflict of interest analysis for representing a taxpayer in a matter where the practitioner's business partner is romantically involved with an adverse party generally should evaluate:

A. Only the specific total duration of the romantic relationship between the two individuals involved currently
B. Only whether the practitioner personally approves of the business partner's romantic relationship choices
C. Only the specific city in which the business partner and the adverse party currently reside together
D. Whether the romantic relationship could reasonably be perceived as affecting the practitioner's independent judgment

11. A practitioner's written consent documentation for a conflict arising from a business partner's romantic relationship with an adverse party should generally address the specific:

A. Only the practitioner's own personal opinion of the business partner's romantic relationship choices generally
B. Safeguards in place to prevent the relationship from improperly influencing the matter's handling by the firm
C. Only the specific total dollar amount the client's current matter involves in dispute at this time
D. Only whether the romantic relationship 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 personal relationships with parties on the opposing side by:

A. Automatically declining every such matter regardless of the actual specific circumstances involved in the case

B. Automatically accepting every such matter with no evaluation of any kind conducted by the firm

C. Requiring disclosure of the relationship and evaluation of whether it presents a genuine conflict

D. Delegating the entire matter automatically to a completely different, unrelated firm outside the practice

13. A practitioner's Section 10.51(a)(4) violation for false statements generally may be established through the practitioner's submission of financial statements known to contain stale, outdated figures presented as current, if the practitioner:

A. Simply used the most recent statements available in the client's file at the time of submission

B. Had never personally prepared the original financial statements used in the underlying submission

C. Delegated the task of actually compiling the financial statements to a subordinate staff member

D. Actually knew or recklessly disregarded that the figures no longer reflected the taxpayer's genuine current position

14. A practitioner's obligation regarding accuracy of representations generally requires distinguishing between a legitimate estimate clearly labeled as such and a representation the practitioner:

A. Presents as a precise, verified figure despite genuinely knowing it to be merely an unverified approximation

B. Made verbally and a statement the practitioner made in a formal written document submitted to the IRS

C. Made to a supervisory IRS employee and a statement made to a non-supervisory IRS employee instead

D. Made during business hours and a statement made outside of normal business hours entirely instead

15. A practitioner's written tax opinion should generally state the specific standard of confidence applied to its conclusions to:

A. Satisfy a purely cosmetic formatting requirement with no genuine substantive purpose whatsoever attached

B. Allow the client to genuinely understand how strongly the practitioner believes the position will actually prevail

C. Guarantee the client a specific favorable outcome regardless of the stated confidence level's actual accuracy

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

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

A. Automatic acceptance of the matter regardless of the practitioner's actual familiarity with state nexus rules

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

C. Sufficient understanding of the nexus implications, or appropriate referral to a practitioner with relevant expertise

D. Reliance exclusively on the client's own understanding of the applicable state nexus implications involved

17. A practitioner's advertising claim regarding the firm's specific success rate in penalty abatement requests should generally be:

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

B. Omitted entirely from all advertising, since success-rate claims are categorically prohibited under Circular 230

C. Based on genuine, verifiable data reflecting the firm's actual outcomes across a representative sample of requests

D. Based on a single, particularly favorable matter rather than the firm's overall genuine track record achieved

18. A practitioner's Section 10.20 obligation regarding record submission generally applies to records held by a practitioner's firm even where the specific practitioner requested did not personally create them, because:

A. IRS regulations specifically require the firm to identify which individual staff member created each specific record
B. The obligation attaches to the firm's genuine custody of relevant records, not merely to who originally created them
C. Records not personally created by the requested practitioner are treated as categorically outside this obligation entirely
D. The obligation applies only where the requested practitioner has independently verified every record's contents personally

19. A practitioner's failure to identify a client's eligibility for the Foreign 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. Relevant only if the client can affirmatively prove the practitioner deliberately withheld this specific information
D. A potential shortfall in the competence and diligence Circular 230 expects of practitioners generally overall

20. A practitioner's conflict of interest evaluation should generally be repeated where an existing client's matter reveals the client has become a business competitor of another existing client because:

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

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 helping a client obtain a fraudulent taxpayer identification number 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 overall

B. A direct undermining of the identity verification systems the tax administration process genuinely relies upon

C. Conduct that, while concerning, carries no meaningful implication for any client's own genuine interests overall

D. A category of conduct Circular 230 does not actually address or regulate in any meaningful way overall

22. A practitioner's obligation to maintain confidentiality of client information generally applies to information shared during a pre-engagement conflict check with a prospective client, even where:

A. The prospective client specifically requests the information be immediately destroyed following the conflict check conducted

B. The conflict check occurred over the telephone rather than during an in-person meeting held with the prospect

C. The conflict check lasted less than a specific minimum number of minutes during the initial contact made

D. The practitioner ultimately determines a conflict exists and declines to accept the prospective engagement offered

23. A practitioner's decision to decline continuing representation upon learning the client has been dishonest with the practitioner about a material fact central to the matter is generally:

A. A violation of an implied duty to continue any representation regardless of the client's own demonstrated honesty

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

C. An appropriate exercise of professional judgment consistent with Circular 230's overall standards for practitioners

D. Permitted only if the practitioner first obtains a formal court ruling confirming the client was actually dishonest

24. A practitioner's obligation regarding accuracy of representations extends to a formal request for a certificate of discharge of property from a federal tax lien to the extent the request concerns:

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

B. Only the factual basis for the requested discharge, never any characterization offered by the practitioner filing

C. Only any characterization offered, never the factual basis for the requested discharge itself in the matter

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

25. A practitioner's suspension sanction generally is imposed with a specified end date, distinguishing it from disbarment, where OPR determines:

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

B. The violation, while serious, does not warrant the more severe and typically indefinite consequence of disbarment

C. The practitioner's own personal preference is to have a suspension imposed rather than face disbarment instead

D. The harmed client's own personal preference is to have a suspension imposed rather than disbarment instead

26. A practitioner's monetary penalty under Section 10.50 generally may be assessed regardless of whether the practitioner has already been suspended for the same underlying conduct because:

A. OPR is legally required to impose every available sanction simultaneously in every single disciplinary matter presented

B. A suspension automatically triggers a mandatory, identical monetary penalty in every case where it is imposed

C. The penalty and suspension serve genuinely distinct regulatory purposes that may be combined for the same conduct

D. The monetary penalty becomes legally unavailable once any suspension has actually been separately imposed for conduct

27. A practitioner's reinstatement following disbarment generally requires OPR to weigh whether sufficient time has passed to allow for demonstrated:

A. Genuine rehabilitation and changed conduct, rather than merely the passage of time alone by itself

B. Only the practitioner's own personal financial need to resume practicing before the IRS at this point

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

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

28. A practitioner's obligation to disclose a conflict extends to a conflict arising from the practitioner's spouse's ownership interest in a business that is also a client, requiring the practitioner to generally:

A. Simply have the spouse divest the ownership interest entirely with no disclosure or evaluation ever required

B. Ignore the spousal ownership interest entirely, since it is treated as unrelated to the tax representation

C. Disclose only to clients who specifically and independently ask about the practitioner's spouse's business interests

D. Disclose the spousal ownership interest and evaluate whether it could improperly influence the advice given

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

A. An assumption that a fellow-congregant client automatically presents no possible conflict of any kind whatsoever
B. The same systematic conflict check applied to any other matter, regardless of how the client was actually met
C. Skipping the conflict check entirely, since fellow-congregant clients are presumed to be pre-vetted already
D. Relying exclusively on the practitioner's own personal judgment that no conflict genuinely exists in this instance

30. A practitioner's overall professional obligations under Circular 230 reflect a recognition that the profession's public standing depends on practitioners consistently demonstrating:

A. Only technical proficiency, with ethical integrity treated as an entirely optional, secondary consideration overall
B. Only ethical integrity, with technical proficiency treated as an entirely optional, secondary consideration overall
C. Both technical proficiency and ethical integrity working together, since neither alone suffices to maintain public trust
D. Neither technical proficiency nor ethical integrity, since public standing is treated as entirely irrelevant here

31. A practitioner's overall commitment to Circular 230's standards ultimately reflects an understanding that maintaining enrollment is a genuinely ongoing responsibility rather than:

A. An obligation that only applies during the practitioner's very first year of active enrollment status specifically
B. A requirement that exists solely to generate revenue for the IRS through recurring application fees charged
C. A standard that becomes entirely irrelevant once the practitioner reaches a certain threshold number of years enrolled
D. A one-time achievement that, once attained, requires no further genuine attention to evolving professional obligations

32. A taxpayer's power of attorney should generally include a clear statement of the specific type of tax covered to:

A. Avoid ambiguity that could lead the IRS to reject the authorization as insufficiently specific for processing
B. Satisfy a purely arbitrary IRS formatting preference carrying no genuine substantive purpose whatsoever attached
C. Allow the IRS to calculate the practitioner's applicable continuing education fee more accurately overall
D. Determine which specific IRS office will ultimately be assigned to process the authorization submitted

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 handling the matter
B. Delegate authority to another representative not named on the original form absent specific separate authorization
C. Receive copies of notices regarding the specifically covered matters sent by the IRS
D. Advocate the taxpayer's position at a scheduled examination interview held with the examiner

34. A taxpayer's power of attorney generally is treated as covering a related collection due process hearing for the same tax year because:

A. IRS regulations specifically require every CDP hearing to be treated as an entirely new, unrelated matter
B. A CDP hearing is treated as automatically and categorically outside the original authorization's scope entirely
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 CDP hearing phase specifically

35. A taxpayer's assessment statute of limitations generally is tolled during the period a bankruptcy automatic stay is in effect because:

A. This specific circumstance is among the statutorily recognized tolling events affecting the assessment statute directly
B. Bankruptcy filings are always automatically dismissed, eliminating any need for tolling consideration entirely
C. The assessment statute never applies to any matter involving a taxpayer in bankruptcy of any kind whatsoever
D. The IRS lacks any authority whatsoever to address matters involving a taxpayer's bankruptcy filing generally

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

A. An entirely unrelated matter having no genuine connection to the current examination at issue currently
B. A routine annual return for a subsequent, unrelated tax year not currently under examination presently
C. A formal complaint against the specific examining agent handling the current matter under review currently
D. Genuine settlement negotiations to progress before the matter would otherwise be forced into litigation prematurely

37. A taxpayer's position supported by a formal General Counsel Memorandum, though no longer current IRS policy, generally reflects:

A. A guarantee the taxpayer's identical position will ultimately succeed if formally challenged by the examiner
B. Historical internal IRS reasoning, a factor of limited but potentially relevant weight in the overall risk assessment
C. No relevance whatsoever to the taxpayer's own current matter or risk assessment under any circumstances
D. Binding law the IRS is legally required to follow in every subsequent, unrelated case presented currently

38. A taxpayer's reliance on a position supported by testimony from a recognized industry expert, absent formal IRS or judicial authority directly on point, generally reflects:

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

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

C. Grounds for automatic penalty relief regardless of any other circumstances involved in the matter presented

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

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

A. Only the taxpayer's personal opinion regarding whether the IRS will ultimately accept the disclosed position

B. Only a general statement that some unspecified position is being disclosed with no further detail given

C. A summary of the expert's qualifications and a description of how the testimony applies to the taxpayer's own facts

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 recognized expert's analysis, later found incorrect, generally distinguishes the taxpayer from evasion because:

A. The reliance itself demonstrates an absence of intent to conceal facts, even where the analysis ultimately proved incorrect

B. An expert's analysis is automatically treated as legally binding regardless of the IRS's actual contrary position

C. Legal incorrectness alone, regardless of good faith, is always sufficient to establish evasion under the applicable standard

D. Courts are legally required to excuse any position consistent with some identifiable expert opinion available

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

A. Only whether the taxpayer's representative believes the delay is generally unfair as a broader policy matter overall
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 amended return's claimed adjustment, with no further inquiry needed
D. Only whether the taxpayer has previously filed an amended return in any prior tax year altogether

42. A Taxpayer Assistance Order addressing a delayed amended return processing 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 presented
C. Expedite processing of the specific amended return consistent with the applicable hardship criteria actually established
D. Terminate the employment of the specific IRS employee responsible for the processing delay entirely at once

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 identification-number-related matters of any kind whatsoever presented
B. Only matters the EA personally prepared the underlying filing for at the time of the original filing
C. Only matters involving amounts below a specific dollar threshold established for this specific purpose presented
D. A denial of a requested taxpayer identification number for a dependent, in addition to other tax matters generally

44. A practitioner's preliminary assessment of a new matter involving a taxpayer's participation in a defined benefit pension plan overfunding correction should generally include confirming:

A. The specific corrective distribution's tax treatment and whether it satisfies applicable qualification requirements
B. Only the specific plan administrator's overall general reputation in the industry at the current time presented
C. Only the taxpayer's personal opinion regarding defined benefit pension plans generally as a retirement vehicle
D. Only the specific number of years the taxpayer has participated in the pension plan generally overall presented

45. A conflict check's scope for a matter involving multiple participants in the same defined benefit pension plan correction should generally extend to:

A. Only the pension plan's own formal legal name, with no inquiry into individual participants involved presented
B. Each individual participant, given their potential differing interests in the correction's ultimate tax treatment
C. Only the specific state in which the pension plan sponsor is domiciled at the current time presented
D. Only the total dollar value of the overall pension plan correction at the current time presented

46. A taxpayer's account transcript entry reflecting an adjustment for improperly excluded pension distribution income generally indicates:

A. An automatic, complete forgiveness of any resulting tax liability regardless of the adjustment made currently
B. An entry unrelated to any actual IRS action, requiring no further explanation at all needed currently
C. A penalty specifically assessed against the taxpayer for having participated in the pension plan generally
D. The IRS identified distribution income that was not properly included in the taxpayer's reported gross income

47. A practitioner's analysis challenging a proposed adjustment involving excluded pension distribution income should generally focus on:

A. Only the taxpayer's personal opinion regarding whether the adjustment is generally fair to the taxpayer presented
B. Only the specific examiner's overall years of experience conducting examinations of similar matters presented
C. Identifying specific facts demonstrating the correct tax treatment actually applicable to the distribution received
D. Only the specific plan administrator's overall stock price performance during the relevant period presented

48. A requesting spouse's Innocent Spouse Relief claim involving excluded pension distribution income the other spouse solely controlled generally should address:

A. Whether the requesting spouse had actual knowledge of the distribution activity generating the excluded income
B. Only the requesting spouse's personal opinion regarding defined benefit pension plans generally as a vehicle presented
C. Only the couple's total combined years of marriage before the distribution activity began originally presented
D. Only the requesting spouse's current occupation and specific employer at the present time currently presented

49. A practitioner's documentation for a matter involving a challenge to an excluded pension distribution adjustment should generally address the specific:

A. Distribution dates and the applicable basis recovery rules governing the taxable portion of each payment
B. Only the couple's original choice of wedding venue and related details from that occasion presented currently
C. Only the couple's shared taste in home decor and furnishings throughout their residence presented currently

D. Only the couple's preferred vacation destinations over the years they have been married presented currently

50. A practitioner's early assessment of potential criminal exposure in a matter involving excluded pension distribution income should generally weigh:

A. Only the specific plan administrator involved in facilitating the underlying distribution transaction currently presented

B. Whether the taxpayer's reporting reflects genuine good-faith confusion or deliberate concealment of taxable distribution income

C. Only the client's overall general demeanor during a single initial consultation meeting held currently presented

D. Only the specific total number of years the taxpayer participated in the pension plan generally presented

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

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

B. Documenting the specific reasoning behind any referral made to specialized counsel for the matter presented

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

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

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

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

B. Shared freely and openly with the IRS as the analysis progresses through its stages currently presented

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

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

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

A. Only the taxpayer's own general assertion the distribution was properly reported with no supporting documentation given

B. Plan documents, distribution statements, and records supporting the taxable portion calculation actually claimed

C. Only the plan administrator's general marketing materials describing its overall retirement benefits program presented

D. Only the taxpayer's personal opinion regarding the overall fairness of pension distribution tax rules presented

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

A. Only distributions received before versus after a specific arbitrary calendar date unrelated to the tax rules presented

B. Only distributions held in one specific brokerage account versus distributions held in another separate account presented

C. Only distributions from a plan with an odd-numbered name versus a plan with an even-numbered name presented

D. The portion of the distribution representing basis recovery and the portion representing genuinely taxable income

55. A practitioner's overall case-building strategy for a matter involving numerous pension distributions requiring individual basis calculations should generally include:

A. Only a narrative description with no systematic tracking of any kind provided at all in the matter presented

B. Only the plan administrator's own proposed characterization of each distribution, accepted without independent review conducted

C. A systematic spreadsheet or similar tool tracking each distribution's date, gross amount, and taxable portion

D. Avoiding any systematic tracking entirely to prevent inviting additional scrutiny from the examiner presented currently

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

A. The specific plan type and its applicable basis recovery and taxation rules governing the distribution received

B. Only the practitioner's own personal fee arrangement for handling the specific matter at issue presented currently

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

D. Only the client's general overall satisfaction with the practitioner's services to date so far presented currently

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

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

B. Only the specific total dollar amount of the excluded income at issue in the matter presented currently

C. Only the specific plan administrator the taxpayer originally used for the distribution activity presented currently

D. The specific circumstances genuinely preventing timely awareness, such as documented incorrect plan administrator guidance

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

A. Immediate commitment to a specific strategy before any meaningful fact development has occurred at all presented

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

C. Careful, thorough fact development before committing to a specific strategic approach for the matter presented

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

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

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

B. Genuinely supported by the actual facts developed, not assumed based on the mere fact a distribution occurred

C. Automatically unfavorable to the taxpayer whenever a distribution occurs, regardless of the actual facts present presented

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

60. A practitioner's overall case-building philosophy for a pension distribution matter should generally reflect an understanding that the applicable rules:

A. Involve detailed basis-recovery and taxation calculations warranting careful, precise documentation of each distribution

B. Apply flexibly on a case-by-case basis with no genuine detailed standards actually involved at all presented

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

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

61. A taxpayer's short-term payment plan proposal for a taxpayer with an adjustment for excluded pension distribution income generally should address:

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

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

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

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

62. A taxpayer's non-streamlined installment agreement for a taxpayer with an adjustment for excluded pension distribution income generally requires the Collection Information Statement to reflect:

A. Only the taxpayer's financial position exactly as it existed before the pension distribution was ever received presented

B. Only the specific plan administrator's own general financial standing and reputation currently at this time presented

C. Only the specific bank through which the pension distribution was originally deposited by the plan sponsor presented

D. The current financial picture, including any remaining value from the pension distribution actually received by the taxpayer

63. A taxpayer's offer in compromise for a taxpayer with an adjustment for excluded pension distribution income generally requires the RCP calculation to reflect:

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

B. Only the distribution's originally received gross amount from the earlier, already-completed pension activity presented

C. The taxpayer's current actual assets and income, including any remaining value from the distribution actually received

D. Only the specific plan administrator's own general fee schedule for facilitating pension distributions presented

64. A lien filed against a taxpayer's assets following an adjustment for excluded pension distribution income generally attaches:

A. Only to the specific pension account itself, not to the taxpayer's other separate assets held elsewhere presented
B. To the taxpayer's own property and rights to property, consistent with general federal tax lien principles
C. To neither the taxpayer's own assets nor the pension account, since distributions are treated as exempt presented
D. Only to the plan administrator's own separate corporate assets used to facilitate the distribution presented currently

65. A levy on a taxpayer's assets following an adjustment for excluded pension distribution income generally is subject to:

A. An automatic exemption from levy specifically because the underlying liability arose from a pension distribution received
B. A mandatory waiting period of exactly one full year following the adjustment before any levy may occur currently
C. The same general levy procedures and exemptions applicable to any other tax liability the taxpayer owes overall
D. Approval requirements from the plan administrator before any levy may actually proceed against the taxpayer presented

66. A Currently Not Collectible determination for a taxpayer with a significant liability from an adjustment for excluded pension distribution income generally requires evaluating:

A. Only the original excluded distribution amount from the now-adjusted pension activity itself completed presented currently
B. The taxpayer's current genuine ability to pay, not the original amount of the excluded distribution income presented
C. Only the specific plan administrator's own general reputation in the industry currently at this time presented overall

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

67. A taxpayer's CDP hearing addressing a proposed levy following an adjustment for excluded pension distribution income should generally raise the specific issue of:

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

B. Only the specific total number of years the taxpayer has participated in the pension plan generally presented overall

C. Only the specific federal agency responsible for regulating pension distribution arrangements generally presented overall

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

68. A TFRP assessment is generally unrelated to an adjustment for excluded pension distribution income matter because TFRP addresses:

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

B. The exact same underlying tax issue an excluded distribution adjustment itself addresses, applied to a different type presented

C. A penalty specifically triggered whenever a pension distribution goes unreported by any taxpayer generally presented overall

D. An issue that only arises for taxpayers who have previously received a pension distribution generally presented currently

69. A responsible person's TFRP liability generally is unrelated to whether the person separately received a pension distribution because:

A. Pension distribution receipt automatically increases the responsible person's TFRP exposure regardless of any other factor present

B. TFRP liability turns on control over trust fund payments, not on the person's own separate pension income received

C. Taxpayers receiving pension distributions are categorically exempt from any TFRP assessment whatsoever under the rules presented
D. TFRP liability is calculated using the same formula applied to calculate pension distribution income amounts presented

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

A. Occurred during the plan administrator's normal business hours specifically during that period presented currently overall
B. Was communicated in writing rather than verbally during a meeting held with the client presented currently overall
C. Was copied to the taxpayer's outside legal counsel as a matter of course generally presented currently overall
D. Genuinely concerned tax advice regarding the distribution, not merely general retirement planning guidance provided currently

71. A taxpayer's Cohan estimate is generally inapplicable to establishing the precise taxable portion of a pension distribution because:

A. The taxable portion must be established using actual basis recovery calculations, not through reasonable estimation methods
B. Cohan estimates apply exclusively to matters involving business expenses rather than retirement income generally presented
C. The taxable portion is treated as flexible and subject to reasonable estimation under applicable case law generally presented
D. Pension distribution matters are categorically excluded from any application of the Cohan doctrine whatsoever entirely presented

72. A practitioner's review of an RAR's proposed adjustment for excluded pension distribution income should generally verify the examiner's:

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

B. Position within the overall report, whether appearing early or later in the document overall presented currently overall
C. Specific factual findings regarding the distribution dates and basis recovery calculation actually cited as the basis presented
D. Total physical page length compared to adjustments proposed for other types of transactions generally presented overall

73. A taxpayer's response to a 30-day letter proposing an adjustment for excluded pension distribution income should generally address whether:

A. The taxpayer simply prefers a different, unspecified tax treatment with no further explanation provided at all presented
B. The taxpayer's representative has personally ever encountered a similar pension distribution issue before in prior matters
C. The specific dates and basis recovery figures genuinely reflect the actual taxable portion of the distribution received
D. The specific calendar month in which the distribution was received happens to be convenient for the taxpayer presented

74. A CP-2000 notice's proposed adjustment involving a discrepancy related to excluded pension distribution income should generally prompt verification against:

A. Only the specific plan administrator's overall general reputation in the industry currently at this time presented overall
B. The taxpayer's actual Form 1099-R documentation and how the distribution was genuinely reported on the return presented
C. Only the specific font used to display the discrepancy amount on the notice itself entirely presented currently overall
D. Only whether the notice includes the IRS's official seal prominently displayed on the document presented currently

75. A taxpayer's Tax Court petition contesting an adjustment for excluded pension distribution income should generally identify:

A. Only the taxpayer's own general, unsupported opinion regarding defined benefit pension plans generally presented currently overall
B. Only the total number of pension distributions the taxpayer has received over the taxpayer's lifetime presented currently
C. Only the specific plan administrator the taxpayer originally used for the distribution activity itself presented currently
D. The specific basis for disputing the examiner's factual findings regarding distribution dates or basis recovery calculations

76. A taxpayer's Appeals conference preparation for an excluded pension distribution income dispute should generally include:

A. A clear presentation of the specific evidence supporting the actual distribution dates and basis recovery calculation used
B. Simply asserting the reporting was proper with no supporting evidence or documentation provided at all presented currently
C. Avoiding any discussion of the applicable basis recovery methodology to prevent inviting additional scrutiny entirely presented
D. Deferring entirely to the Appeals Officer to independently reconstruct the supporting evidence needed here presented currently

77. A taxpayer's decision to accept an Appeals settlement resolving an excluded pension distribution income dispute should generally be documented to specify:

A. The specific taxable income amount ultimately recognized and the resulting tax effect for the applicable year presented
B. Only the Appeals Officer's own general personal preference regarding defined benefit pension plans generally presented overall
C. Only the specific conference room where the settlement was actually reached during the meeting held presented currently
D. Only the taxpayer's general overall satisfaction with how the dispute was ultimately resolved overall presented currently

78. A taxpayer's small tax case election is generally available for an excluded pension distribution income dispute where the disputed amount:

A. Involves any pension distribution whatsoever, since such distributions are categorically excluded from this election generally presented

B. Requires the taxpayer to first obtain the IRS's own advance consent to elect this simplified procedure available currently

C. Must involve a business entity specifically, since individual taxpayers cannot receive pension distributions generally presented currently

D. Falls at or below the applicable dollar threshold, regardless of the underlying distribution's complexity overall presented

79. A taxpayer's formal written protest for an excluded pension distribution income dispute should generally cite specific evidence supporting:

A. Only the taxpayer's own general, unsupported opinion regarding which treatment seems fairer to the taxpayer presented currently

B. Only a demand that the examiner simply accept the taxpayer's proposed treatment without question raised presented currently

C. The taxpayer's actual reported distribution dates and basis recovery calculation under the applicable governing rules presented

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

80. A taxpayer's Appeals settlement for an excluded pension distribution income 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 defined benefit pension plans generally presented overall currently

B. How the reduced adjustment amount was ultimately determined and the resulting recalculated tax effect reached currently

C. Only the specific date the original pension distribution first occurred for the taxpayer presented currently overall presented

D. Only the taxpayer's general overall satisfaction with how the dispute was ultimately resolved overall presented currently overall

81. A taxpayer's decision to pursue Post-Appeals Mediation for an excluded pension distribution income dispute should generally weigh whether:

A. The specific mediator happens to have personal experience with retirement plan administration organizations specifically presented currently
B. Mediation sessions are scheduled on a specific day of the week the taxpayer personally prefers overall presented currently overall
C. A neutral mediator could genuinely help resolve the specific remaining factual disagreement over basis recovery calculations presented
D. The taxpayer's representative has previously used mediation in an entirely unrelated prior matter altogether presented currently overall

82. A taxpayer's Appeals conference outcome for an excluded pension distribution income 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 presented currently overall
B. An automatic default rule the IRS applies to every single excluded pension distribution income dispute generally presented overall
C. A clerical error in properly calculating the correct final resolution amount for the matter overall presented currently overall
D. A hazards-of-litigation compromise recognizing genuine factual uncertainty regarding the basis recovery calculation dispute presented

83. A practitioner's overall goal in preparing case-building materials for an excluded pension distribution income Appeals conference should generally include:

A. Assuming the Appeals Officer will simply accept the reporting without any independent scrutiny of the record presented currently overall
B. Anticipating challenges to the taxpayer's distribution dates and basis recovery methodology and preparing well-supported responses
C. Preparing responses only to challenges the taxpayer's representative personally finds interesting in the matter presented currently overall

D. Preparing exclusively for challenges about matters entirely unrelated to the actual pension distribution dispute itself presented

84. A practitioner's overall approach to representing a taxpayer in an excluded pension distribution income dispute should generally reflect an understanding that:

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

85. A preparer's software calculation for a return involving pension distribution income should generally still involve manual review of:

A. Only the federal portion, since state-level pension calculations are treated as automatically reliable by default currently
B. No portion of the return at all, since pension software is treated as inherently more accurate overall presented
C. Only the client's name and address fields, with no substantive calculation review needed at all presented currently
D. Whether the taxable portion was correctly calculated using the applicable basis recovery method for the distribution

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

A. Only the specific software version number used to prepare the particular return at issue presented currently overall
B. Only the client's stated preference for how the distribution should ultimately be characterized generally presented currently

C. How the total income amount was actually calculated and whether figures were entered only once correctly
D. Only the total number of pension plans the taxpayer has participated in over the years generally presented

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

A. The return as a whole, including the specific Form 1099-R documentation supporting the reported income presented currently
B. Only the portion of the return unrelated to the pension distribution specifically involved in the matter presented currently
C. Only a separate, distinct recordkeeping category maintained apart from the general return records kept currently presented
D. Only if the IRS specifically requests the pension documentation be separately retained by the preparer presented currently

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

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

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 presented currently overall

B. Background has actually been reviewed as part of the applicable application process undertaken overall presented currently overall

C. Information provided in the application has actually been verified for accuracy by the reviewer presented currently overall

D. Client base includes taxpayers with genuinely complex returns, such as those involving pension distribution income presented

90. A firm's decision to accept clients requiring pension distribution income 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 presented currently overall

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

C. Updated its website's visual design with no other substantive change involved in the decision overall presented currently overall

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

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

A. Returns filed for individual taxpayers and returns filed for business entities within the same firm presented currently overall

B. Returns filed within a specific calendar year and returns filed in an entirely different calendar year presented currently overall

C. Returns involving routine matters and returns involving genuinely complex issues like pension distribution income presented

D. Returns the preparer actually signed as the paid preparer and returns the preparer did not sign presented currently overall

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

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

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

A. A documented, significant technology failure genuinely preventing electronic filing of the return in question presented currently overall
B. A documented lack of reliable internet access genuinely preventing electronic filing of the return altogether presented currently overall
C. The mere complexity of a client's pension distribution income, since complexity alone is not a recognized hardship category
D. A documented religious objection genuinely qualifying under the applicable recognized exception available generally presented currently overall

94. A taxpayer's Form 8879 authorization for a return involving pension distribution income generally requires the taxpayer to:

A. Personally understand every technical detail of the basis recovery calculation before signing the authorization presented currently overall
B. Review the completed return, including the reported taxable and non-taxable portions, before signing the authorization presented
C. Obtain independent verification of the plan balance from a completely separate practitioner or accountant presented currently overall
D. Sign a supplemental form specifically acknowledging the distribution's inherent complexity for the record presented currently overall

95. An ERO's Form 8879 retention obligation for a return involving pension distribution income generally is:

A. The same standard retention obligation applicable to any other return, regardless of the underlying complexity presented currently overall

B. Extended to a longer period specifically because of the distribution's underlying complexity involved presented currently overall presented

C. Waived entirely for returns involving pension distributions given their genuinely specialized nature and treatment presented currently overall

D. Subject to a completely separate set of retention rules unique to pension returns specifically involved presented currently overall

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

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

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

C. Only whether the taxpayer has previously received pension distributions in any prior tax year filed presented currently overall

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

97. A rejected return involving pension distribution 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 presented currently overall

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

C. The specific font used throughout the return remains unchanged from the original submission filed initially presented currently overall

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

98. A preparer's overall response protocol for rejections affecting returns with pension distribution income issues should generally include:

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

B. No differentiated protocol at all, since all rejections are treated identically regardless of underlying complexity present presented currently overall

C. Automatic resubmission without any review, since pension rejections are presumed to be simple errors overall presented currently overall

D. Escalation to a more experienced staff member familiar with the specific pension basis recovery rules involved presented currently overall

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

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

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

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

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

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 presented currently overall

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

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

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

Practice Exam 26: Answer Key and Explanations

1. D — A—Such compliance always genuinely reflects the applicant's own willingness to follow the tax laws the applicant would help others navigate as a practitioner. It does not guarantee freedom from all future discipline, is not limited to only the examination path, and does not determine the application fee amount owed at all.

2. B — B—Such hours always genuinely and clearly qualify provided the practitioner's actual attendance can genuinely be verified through the IRS-approved provider's own tracking method. Merely purchasing a ticket regardless of attendance, the conference's location in the practitioner's home state, and personally knowing the speaker do not themselves establish qualifying credit here.

3. C — C—This obligation exists because the IRS increasingly relies on electronic communication to genuinely reach practitioners regarding enrollment and other important matters. Email is not treated as more legally significant than a physical address, there is no requirement to use only an IRS-issued account, and failing to update does not automatically trigger discipline.

4. A — A—This decision always reflects consideration of whether the practitioner's conduct presents an immediate threat genuinely requiring prompt action to protect the public interest. 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. A — A—Due diligence always requires a reasonable inquiry into whether the debt genuinely qualifies as acquisition indebtedness under the applicable statutory limits currently in effect. Direct lender 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. C — C—Published guidance like a revenue ruling generally carries genuinely more precedential weight than a private letter ruling, which applies only to its requesting taxpayer. Private letter rulings are not treated as carrying more weight, the two are not treated identically, and the obligation is not entirely waived by the existence of either.

7. B — B—Such a claim is treated as sufficiently distinct from an original substantive 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. D — D—Specifying rates by staff category allows the client to genuinely understand how charges will vary depending on which staff member actually performs the work. This is not a purely arbitrary formatting preference, does not guarantee a cost ceiling, and does not eliminate the client's need to review subsequent billing statements.

9. A — A—An unsubstantiated claim of "award-winning service" is always genuinely and clearly potentially misleading unless the practitioner can actually substantiate the specific award with genuine evidence. Award-based language is not categorically exempt from scrutiny, does not require every competitor's agreement, and is not automatically dismissed as harmless puffery under Circular 230's standards.

10. D — D—This particular analysis always genuinely evaluates whether the romantic relationship could reasonably be perceived as affecting the practitioner's independent judgment in handling the matter. The relationship's duration, the practitioner's personal approval of the partner's choices, and their city of residence are not themselves the substantive factors this analysis turns on.

11. B — B—Proper documentation should always clearly address the specific safeguards actually in place to prevent the relationship from improperly influencing the matter's handling by the firm. The practitioner's own opinion of the partner's relationship choices, the disputed dollar amount, and the relationship's timing relative to enrollment are not this required content.

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

13. D — D—This violation may be established where the practitioner actually knew or recklessly disregarded that the figures no longer reflected the taxpayer's genuine current position. Simply using the most recent available statements, never having personally prepared them, and delegating the compilation task alone do not themselves establish this reckless disregard standard.

14. A — A—This obligation requires distinguishing between a legitimate clearly-labeled estimate and a representation genuinely presented as precise despite being a known unverified approximation. 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. B — B—Stating the specific confidence standard always allows the client to genuinely understand how strongly the practitioner actually believes the position will prevail in litigation. This is not a purely cosmetic formatting requirement, does not guarantee a favorable outcome regardless of the stated confidence, and does not eliminate the underlying analytical obligation.

16. C — C—Competence here always genuinely requires sufficient understanding of the nexus implications, or appropriate referral to a practitioner with relevant genuine state tax 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 matter presented.

17. C — C—Such a claim should be based on genuine, verifiable data reflecting the firm's actual outcomes across a representative sample of requests handled. Substantially rounding up for impressiveness, categorically prohibiting all such claims, and basing the figure on a single favorable matter rather than the overall record are all inappropriate approaches.

18. B — B—This obligation always genuinely attaches to the firm's genuine custody of relevant records, not merely to who within the firm originally created them personally. There is no regulation requiring identification of the specific creating staff member, records not personally created are not categorically excluded, and independent verification of contents is not required.

19. D — D—Failing to identify clearly applicable Foreign Tax Credit eligibility may always reflect a genuine shortfall in the competence and diligence standards Circular 230 expects generally. 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. A — A—Reevaluation is always genuinely warranted because the newly discovered competitive relationship may genuinely affect whether continued representation of either client remains appropriate. There is no specific regulatory mandate for an entirely new engagement letter, discovery does not automatically terminate both engagements, and clients do not automatically demand a fresh memo.

21. B — B—This violation is treated with particular seriousness because it involves a direct undermining of the identity verification systems the tax administration process genuinely relies upon. This is not unconnected to the practitioner's tax practice, does carry meaningful implications for client and system interests, and is genuinely addressed under Circular 230.

22. D — D—Confidentiality always genuinely and quite clearly applies to pre-engagement conflict check information even where the practitioner ultimately determines a conflict exists and declines. It applies even following a destruction request, applies regardless of whether the check occurred by telephone or in person, and applies regardless of the check's specific duration.

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

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

25. B — B—A suspension with a specified end date is imposed where OPR determines the violation, while serious, does not warrant the more severe consequence of disbarment. This is not based on the absence of prior disciplinary history, is not based on the practitioner's own preference, and is not based on the harmed client's own preference.

26. C — C—The penalty and suspension always genuinely serve genuinely distinct regulatory purposes, justifying their potential combination for the same underlying conduct in appropriate cases here. OPR is not legally required to impose every sanction simultaneously in every matter, a suspension does not automatically trigger a mandatory penalty, and the penalty remains available.

27. A — A—OPR always genuinely weighs whether sufficient time has passed to allow for demonstrated genuine rehabilitation and changed conduct, rather than merely elapsed time alone here. The practitioner's own financial need, mere elapsed years alone, and the practitioner's own opinion about the original sanction's fairness are not themselves this required demonstration.

28. D — D—This scenario requires disclosing the spousal ownership interest and genuinely evaluating whether it could improperly influence the advice given regarding the matter. Simply having the spouse divest with no disclosure at all, ignoring the interest as unrelated, and disclosing only upon a specific inquiry all fail to satisfy this obligation.

29. B — B—A fellow-congregant 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. C — C—These obligations always genuinely and clearly reflect the recognition that public standing depends on practitioners demonstrating both technical proficiency and ethical integrity together. This is not about technical proficiency alone with ethics as optional, ethics alone with proficiency as optional, or neither mattering to public standing overall in the profession.

31. D — D—This commitment reflects the understanding that maintaining enrollment is a genuinely ongoing responsibility, rather than a one-time achievement requiring no further attention. It is not an obligation limited to only the first year, does not exist solely to generate IRS fee revenue, and does not become irrelevant after a certain tenure.

32. A — A—A clear statement of the specific tax type always avoids ambiguity that could lead the IRS to genuinely reject the authorization as insufficiently specific for processing. 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 does not authorize delegating authority to an unnamed representative absent specific separate authorization for that heightened activity granted. It does authorize discussing covered matters with the assigned IRS employee, receiving notice copies, and advocating the taxpayer's position at an examination interview held with examiner.

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

35. A — A—This specific circumstance is always quite genuinely among the statutorily recognized tolling events affecting the assessment statute directly during the automatic stay's effect. Bankruptcy filings are not always automatically dismissed, the assessment statute does apply to matters involving bankruptcy, and the IRS does have authority to address such matters presented.

36. D — D—This request should be evaluated against whether the extension would allow genuine settlement negotiations to progress before litigation becomes forced prematurely. It is not about allowing time for an unrelated matter, is not about allowing time for a subsequent year's routine return, and is not about allowing time for a formal complaint.

37. B — B—Such a memorandum reflects historical internal IRS reasoning, a factor of genuinely limited but potentially relevant weight in 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. D — D—Reliance on expert testimony, absent formal authority, always generally reflects a reasonable basis argument, though genuinely weaker than a position backed by formal authority. This is not automatically frivolous, does not carry weight identical to a binding regulation, and does not itself guarantee automatic penalty relief regardless of other facts present.

39. C — C—A proper disclosure should include a summary of the expert's qualifications and a description of how the testimony genuinely applies to the taxpayer's own 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. A — A—This good-faith reliance demonstrates a genuine absence of intent to conceal facts from the government, even where the expert's analysis ultimately proved incorrect. An expert's analysis 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 genuinely includes evaluating whether the delay is genuinely causing documented financial hardship beyond mere ordinary inconvenience experienced by the taxpayer. 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 amended return history at all.

42. C — C—Such a TAO may generally direct the IRS to expedite processing of the specific amended return consistent with the applicable hardship criteria actually established. 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. D — A—An EA's unlimited practice rights extend to a denial of a requested dependent identification number, 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 — B—A proper preliminary assessment confirms the specific corrective distribution's actual tax treatment and whether it genuinely satisfies applicable qualification requirements involved. The administrator's general industry reputation, the taxpayer's opinion of pension plans generally, and the years of participation alone are not themselves the substantive factors this assessment should focus on.

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

46. D — A—This entry generally indicates the IRS identified distribution income that was genuinely not properly included in the taxpayer's reported gross income. It does not indicate automatic complete forgiveness of any resulting liability, is not unrelated to any actual IRS action, and is not itself a penalty for having participated in the plan.

47. C — C—A proper challenge focuses on identifying specific facts genuinely demonstrating the correct tax treatment actually applicable to the distribution received by the taxpayer. The taxpayer's general opinion of fairness, the examiner's years of experience, and the administrator'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 distribution activity actually generating the excluded income at issue. The requesting spouse's general opinion of pension plans, total years married, and current occupation are not themselves the primary consideration this specific knowledge-focused claim requires here.

49. A — A—Proper documentation always genuinely addresses the specific distribution dates and the applicable basis recovery rules genuinely governing the taxable portion of each payment made. Wedding venue choice, shared home decor taste, and vacation preferences are not themselves the substantive factors this specific distribution-related challenge should actually address here at all.

50. B — B—A sound assessment weighs whether the taxpayer's reporting genuinely reflects good-faith confusion or instead deliberate concealment of actual taxable distribution income. The specific administrator involved, the client's general demeanor at one meeting, and the total years of participation alone are not themselves the substantive factors this assessment should focus on.

51. D — D—A practitioner should always 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 here.

52. C — A—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 at all.

53. B — A—Proper documentation should always include plan documents, distribution statements, and records genuinely supporting the actual taxable portion calculation claimed by the taxpayer here. A bare general assertion with no supporting documentation, the administrator's marketing materials, and the taxpayer's opinion of fairness are not themselves this required documentation for the file.

54. D — A—A proper case assessment always distinguishes between the portion of the distribution representing genuine basis recovery and the portion representing genuinely taxable income. An arbitrary unrelated date, the specific brokerage account used, and mere naming convention are not themselves meaningful analytical distinctions this assessment should draw here at all in the matter.

55. C — A—Case-building for numerous pension distributions requiring individual calculations should always quite genuinely include a systematic spreadsheet tracking each distribution's date, amount, and taxable portion. Relying only on narrative with no tracking, simply accepting the administrator's characterization without review, and avoiding tracking entirely all fail to properly manage this complexity here.

56. A — A—A thorough preliminary assessment should always include documenting the specific plan type and its applicable basis recovery and taxation rules governing the distribution received. 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 here at all.

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

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

59. B — B—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. A — A—This philosophy should always genuinely reflect the understanding that the applicable rules involve detailed basis-recovery and taxation calculations warranting careful, precise documentation set. The rules do not apply flexibly with no genuine detailed standards, do warrant additional documentation, and the IRS is not prohibited from examining such matters presented here.

61. A — A—This proposal should always genuinely address whether the resulting additional tax liability genuinely affects the taxpayer's current available cash for payment made currently. 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. D — D—This statement should always genuinely reflect the current financial picture, genuinely including any remaining value from the distribution actually received by the taxpayer. It is not based on the pre-distribution position alone, is not based on the administrator's own financial standing, and is not based on merely the bank used for deposit here.

63. C — C—This particular RCP calculation always requires carefully reflecting the taxpayer's current actual assets and income, genuinely including any remaining value from the distribution received presently. The taxpayer's mere structural preference, the distribution's earlier gross amount, and the administrator's fee schedule are not themselves this specific relevant content here at all.

64. B — B—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 pension account, is not exempt from attaching to the taxpayer's assets, and does not attach to the administrator's own separate corporate assets.

65. C — C—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 administrator's approval to proceed.

66. B — B—A CNC determination for this taxpayer always genuinely requires evaluating the taxpayer's current genuine ability to pay, not the original excluded amount claimed at all. The original excluded distribution amount alone, the administrator's reputation, and the taxpayer's own preferred figure are all inadequate bases for this evaluation made in the matter presented.

67. D — D—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 pension distribution rules fairness, total years of plan participation, 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 a pension distribution. It does not address the same underlying issue as an excluded distribution adjustment, is not specifically triggered by unreported distributions, and does not arise only for recipients.

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

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

71. A — A—The taxable portion always must be established using actual basis recovery calculations genuinely governing the distribution, not through Cohan-style estimation. Cohan estimates do not apply exclusively to business expense matters, the taxable portion is not treated as flexible for estimation, and pension matters generally are not categorically excluded from Cohan.

72. C — C—A proper review always genuinely verifies the examiner's specific factual findings regarding the distribution dates and basis recovery calculation actually cited as the basis presented. 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. C — C—The response should always genuinely and clearly address whether the specific dates and basis recovery figures genuinely reflect the actual taxable portion of the distribution here. A mere unspecified alternative treatment preference, the representative's prior general experience, and the distribution's convenient receipt month are not themselves the substantive issue presented.

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

75. D — D—A proper petition always genuinely identifies the specific basis for disputing the examiner's factual findings regarding distribution dates or basis recovery calculations here. A general unsupported opinion about pension plans, mere lifetime distribution count, and merely the administrator used are not themselves the required substantive content this petition needs at all.

76. A — A—Preparation for this dispute should always genuinely include a clear presentation of the specific evidence supporting the actual distribution dates and basis recovery calculation. 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. A — A—Proper settlement documentation should always genuinely and quite clearly specify the specific taxable income amount ultimately recognized and the resulting genuine tax effect for the year. The Officer's general personal preference regarding pension plans, the specific conference room location, and the taxpayer's general satisfaction are not themselves this required documentation.

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

79. C — C—A proper protest always genuinely and quite clearly cites specific evidence supporting the taxpayer's actual reported distribution dates and basis recovery calculation under governing rules. A bare unsupported opinion about fairness, a demand for unquestioning acceptance, and an unsupported general size assertion are all inadequate substitutes for this required evidence.

80. B — B—Proper documentation should always genuinely and quite clearly specify how the reduced adjustment amount was ultimately determined and the resulting genuine recalculated tax effect. The

Officer's general philosophy regarding pension plans, the original distribution date, and the taxpayer's general satisfaction are not themselves this required documentation content here at all.

81. C — C—This decision should always genuinely weigh whether a neutral mediator could genuinely help resolve the specific remaining factual disagreement over basis recovery calculations here. The mediator's unrelated personal retirement plan experience, a preferred scheduling day, and the representative's unrelated prior mediation experience are not themselves the substantive factors here presented.

82. D — D—A partial IRS concession always genuinely reflects a genuine hazards-of-litigation compromise, recognizing real factual uncertainty regarding the basis recovery calculation disputed here now. 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. B — A—Effective preparation always genuinely and quite clearly includes very carefully anticipating challenges to the taxpayer's distribution dates and basis recovery methodology and preparing well-supported responses. 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.

84. A — C—This approach should always genuinely reflect the understanding that accurate reporting of the taxable portion 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 calculations regardless of circumstances.

85. D — D—Manual review should always genuinely focus on whether the taxable portion was correctly calculated using the applicable basis recovery method here at all. 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 at all.

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

87. A — A—This obligation always genuinely applies to the return as a whole, genuinely including the specific Form 1099-R documentation 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 presented.

88. B — B—Reasonable security should always genuinely reflect the genuine sensitivity and complexity of the underlying financial and retirement account data actually involved here presently. 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 here.

89. D — D—Approval always genuinely and clearly reflects meeting suitability standards regardless of whether the applicant's client base includes taxpayers with genuinely complex returns like pensions presented. 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. B — B—This decision should always genuinely include evaluating whether the firm genuinely has sufficient internal expertise or access to appropriate resources to competently handle these matters here. Changing a coffee supplier, updating website design, and renewing insurance at the same terms are all unrelated changes not addressing this evaluation here at all.

91. C — C—This determination always genuinely does not distinguish between routine returns and returns involving genuinely complex issues like pension income, treating both equally here. 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 it here.

92. A — A—Form 8948 should always genuinely reference the specific recognized exception category actually applicable to the paper filing, not the underlying complexity itself here now. It should not merely reference the preparer's general opinion of pension complexity, the specific administrator used, or the preparer's unrelated past filing history here at all.

93. C — C—A waiver request should always genuinely not be based on the mere complexity of a client's pension 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. B — B—The taxpayer generally must always genuinely review the completed return, including the reported taxable and non-taxable portions, before signing Form 8879 here at all. The taxpayer need not personally understand every technical basis recovery detail, need not obtain a separate independent verification, and need not sign a specific supplemental complexity form.

95. A — A—This retention obligation always genuinely is the same standard obligation applicable to any other return, regardless of the underlying pension 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 include checking whether the specific attachment genuinely requires separate Form 8453 transmittal under current applicable instructions currently in effect. Whether the income is favorable or unfavorable, the specific income amount, and prior pension history are all irrelevant to this specific transmittal requirement check here at all.

97. B — B—Verification should always genuinely confirm the specific identified error has been resolved without inadvertently altering the substantive income position actually taken here at all. 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. D — D—A sound protocol should always genuinely include escalation to a more experienced staff member genuinely familiar with the specific pension basis recovery rules involved. 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 now.

99. A — A—Training should always genuinely address recognizing when complexity like pension distribution income warrants additional internal review, given the 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 now.

100. C — C—This overall commitment always genuinely reflects the recognition that genuine accuracy in complex matters requires the same careful compliance attention as usual practice. 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 here at all.