PRACTICE EXAM 5: 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. An applicant for Enrolled Agent status via the examination path must generally apply for enrollment within:

A. One year of passing all three parts of the Special Enrollment Examination
B. Five years of passing all three parts of the Special Enrollment Examination
C. There is no time limit whatsoever for applying after passing
D. Thirty days of passing the very first part taken alone

2. A practitioner's continuing education hours must generally include a minimum number of hours specifically devoted to:

A. Marketing and business development
B. Software training specifically
C. Ethics
D. Office management topics generally

3. A practitioner's PTIN must generally be renewed:

A. Every three years, aligned with the EA renewal cycle
B. Annually
C. Once, permanently, with no further renewal ever required

D. Every five years on a fixed schedule

4. OPR's authority to discipline practitioners is derived from:

A. State bar association rules exclusively, with no federal component involved
B. Individual client contracts and engagement letters specifically
C. IRS Criminal Investigation's own separate internal enforcement manual
D. Circular 230 and the underlying statutory authority granting Treasury this regulatory power

5. A practitioner's due diligence obligation regarding a client's claimed business expense generally requires:

A. Independent third-party audit verification of literally every single claimed expense
B. A reasonable inquiry where the claimed expense appears implausible given known facts
C. Automatic disallowance of any expense exceeding $1,000 without further inquiry
D. No inquiry whatsoever regardless of how implausible a claimed expense may appear

6. A practitioner's obligation to advise a client of noncompliance with the revenue laws is triggered by:

A. Mere rumor or unverified speculation about possible noncompliance
B. A formal IRS notice specifically directed at the practitioner personally
C. The client's own voluntary confession made directly to the IRS first
D. The practitioner's actual knowledge of the specific noncompliance

7. A contingent fee arrangement connected to a claim for refund filed in connection with an IRS examination is generally:

A. Prohibited entirely with absolutely no exception available under any circumstances
B. Permitted only if the refund claim exceeds $500,000 in total amount
C. Permitted, as a recognized exception to the general contingent fee prohibition
D. Permitted only for a licensed attorney, never for an Enrolled Agent

8. An unconscionable fee determination generally does NOT consider:

A. The specific font and formatting style used in the practitioner's invoice
B. The complexity of the underlying tax matter actually handled
C. The time genuinely required to competently handle the matter
D. The results actually achieved for the client through the representation

9. A practitioner's advertisement stating "no fee unless we win" for representation in an IRS examination is generally:

A. Permitted, since contingent fees are allowed for examination representation specifically
B. Prohibited entirely, since all contingent fee advertising is categorically banned
C. Permitted only if the phrase appears in a specific mandated font size
D. Permitted only for matters exceeding a $1 million dollar threshold

10. A practitioner's return of client records upon request may be affected by a state-recognized retaining lien where:

A. The client has simply expressed general dissatisfaction with the practitioner's overall service
B. The client has referred other prospective clients to the practitioner previously
C. State law specifically permits the practitioner to retain certain records pending fee payment
D. The engagement has lasted longer than one full calendar year in total

11. A conflict of interest disclosure under Section 10.29 must generally describe:

A. Only the practitioner's total years of overall professional experience
B. The material facts of the conflict and how the representation might reasonably be affected
C. Only the specific dollar amount of the practitioner's fee for the matter
D. Only the practitioner's personal educational background and degrees held

12. A practitioner representing spouses in a joint matter who later separate should generally:

A. Continue exactly as before with absolutely no reassessment of any kind required
B. Automatically terminate representation of both spouses immediately with no further analysis
C. Simply favor whichever spouse initially retained the practitioner's services first
D. Reassess whether continued joint representation remains appropriate given the diverging interests

13. A firm's reasonable compliance procedures under Section 10.36 should generally address which practitioner activity?

A. Only the firm's holiday party planning and scheduling logistics
B. Only the firm's parking lot maintenance and assignment procedures
C. Only the firm's cafeteria and break room stocking procedures
D. How the firm reviews and monitors the accuracy of prepared returns before filing

14. A practitioner's willful violation of a Circular 230 provision differs from a negligent violation primarily in the:

A. Total dollar amount of tax involved in the underlying matter
B. Practitioner's actual knowledge of, and deliberate disregard for, the applicable rule
C. Specific calendar month in which the violation happened to occur
D. Client's own personal satisfaction with the overall representation provided

15. A practitioner's failure to properly sign a prepared return as required is best characterized as:

A. A compliance violation potentially subject to Circular 230 sanction
B. A matter of purely personal preference with no compliance significance whatsoever
C. Automatically excused if the return is otherwise substantively accurate
D. Relevant only if the client specifically complains about the missing signature

16. A practitioner sanctioned with a monetary penalty under Section 10.50 generally must:

A. Pay the penalty only if the practitioner also separately loses their PTIN
B. Never actually pay the penalty, since it is purely symbolic in nature
C. Pay the penalty within the timeframe OPR specifies in the final disciplinary decision
D. Pay the penalty only after a separate criminal conviction is also obtained

17. A practitioner's obligation regarding accuracy applies to representations made to:

A. Only the specific IRS employee physically present at a scheduled meeting
B. Only representations made in a formal, notarized written document
C. Only representations made after a matter has already formally concluded
D. The Department of the Treasury, including but not limited to the IRS specifically

18. A practitioner's obligation to avoid unreasonably delaying a matter under Section 10.23 applies to:

A. Only matters specifically involving a scheduled, formal Appeals conference
B. Only matters where the taxpayer has explicitly requested urgency in writing
C. Both administrative matters before the IRS and the practitioner's overall responsiveness generally
D. Only matters exceeding a specific minimum dollar amount threshold

19. A practitioner's failure to file the practitioner's own required returns for several consecutive years reflects poorly on:

A. The practitioner's fitness to represent others in fulfilling their own tax obligations
B. Only the practitioner's personal financial situation, with no professional relevance at all
C. Only the practitioner's specific choice of accounting software used personally
D. Nothing of professional significance whatsoever under any circumstances

20. A practitioner's obligation to promptly submit records under Section 10.20 is limited by:

A. No limitation whatsoever under any circumstances or applicable legal doctrine
B. Applicable privilege doctrines, such as attorney-client privilege where genuinely applicable
C. The practitioner's own personal convenience in gathering the requested records
D. Whether the requesting IRS employee happens to hold a specific job title

21. A practitioner's Section 10.34 obligation regarding return positions applies to:

A. Both the preparation of original returns and the giving of advice on positions to take
B. Only the preparation of original returns, never advice given separately
C. Only advice given separately, never the preparation of original returns
D. Neither preparation nor advice, since Section 10.34 addresses only penalties

22. A practitioner's reasonable basis for an undisclosed return position generally requires:

A. Absolute certainty the position will be fully sustained if ever challenged
B. A formal, written Private Letter Ruling specifically obtained in advance
C. No genuine basis of any kind, since disclosure alone is always sufficient
D. A genuine, good-faith belief the position has a reasonable possibility of being sustained if challenged

23. A practitioner's best practices obligation under Section 10.33 encourages:

A. Avoiding any written documentation of advice given to protect against future disputes
B. Communicating clearly with clients regarding the terms of the engagement and representation
C. Guaranteeing specific favorable outcomes to attract and retain new clients
D. Declining to explain the underlying reasoning behind advice provided to clients

24. A practitioner's firm-wide compliance failure under Section 10.36 can result in sanctions against:

A. Only a specific named individual practitioner, never the firm as an entity
B. No party whatsoever, since firms cannot be sanctioned under Circular 230
C. The firm itself, independent of any sanction against a specific individual practitioner

D. Only the firm's outside general counsel retained for corporate matters

25. A practitioner's failure to exercise competence in an unfamiliar area, without adequate research or consultation, may constitute:

A. Acceptable practice provided the client was never actually informed of the unfamiliarity
B. A matter entirely outside Circular 230's regulatory scope
C. Relevant only if the resulting advice ultimately proves incorrect
D. A violation of the Section 10.35 competence standard

26. A practitioner's obligation to provide competent representation is generally assessed against:

A. What a reasonably prudent practitioner would do given the same matter and circumstances
B. What the single most experienced practitioner in the entire country would do
C. What the practitioner's own personal, subjective comfort level happens to be
D. What the client personally believes constitutes adequate representation

27. A practitioner's advertising claim that is technically true but creates a misleading overall impression is generally:

A. Permitted, since technical truthfulness alone is always sufficient regardless of overall impression
B. Permitted only if a small disclaimer appears somewhere in the advertisement
C. Prohibited, since the overall impression, not merely technical accuracy, governs the analysis
D. Relevant only if a specific competitor formally complains about the claim

28. A practitioner's Section 10.51(a)(1) violation for conviction of a crime under revenue law requires:

A. A mere civil examination adjustment with no conviction involved at all
B. An actual criminal conviction under a provision of the revenue laws
C. A client's own separate, unrelated civil lawsuit against the practitioner
D. A state bar association's own separate internal disciplinary action

29. A practitioner's Section 10.51(a)(7) violation for giving false opinions knowingly, recklessly, or through gross incompetence requires:

A. Proof of all three culpability levels simultaneously present at once
B. No showing of culpability whatsoever, since any wrong opinion automatically qualifies
C. A showing of at least one of these three distinct culpability levels
D. A formal criminal conviction obtained in a wholly separate proceeding first

30. A practitioner's overall regulatory obligations under Circular 230 exist independently of:

A. Whether a specific client ever files a formal complaint against the practitioner
B. The practitioner's own underlying conduct while representing taxpayers
C. The applicable standards Treasury has established for practitioner conduct
D. The integrity of the broader federal tax administration system generally

31. The overall structure of Circular 230's disciplinary framework generally proceeds from:

A. An automatic disbarment for every reported violation with no intermediate step at all
B. A single, immediate, unappealable final decision with no process whatsoever
C. A private arbitration process entirely outside any IRS or OPR involvement
D. Informal resolution attempts, through formal complaint, to a hearing before an Administrative Law Judge

32. A representative who no longer wishes to represent a taxpayer should generally notify:

A. Only the taxpayer, with no notification to the IRS required at all
B. Both the taxpayer and the relevant IRS office of the withdrawal
C. Only the IRS, with no notification to the taxpayer required at all
D. Neither party, since withdrawal is presumed automatically after a fixed period

33. A properly executed Form 2848 remains in effect until:

A. Exactly thirty days have elapsed from the date of execution
B. Revoked, the taxpayer's death, or the specific matters and periods covered conclude
C. The representative personally changes employers or firms
D. The taxpayer files any subsequent, entirely unrelated tax return

34. A taxpayer's execution of Form 2848 naming a new representative for the same matters as a prior representative generally requires:

A. Attaching a copy of the prior authorization if the taxpayer wishes to preserve it
B. No action of any kind, since both authorizations automatically coexist indefinitely
C. A separate court order specifically approving the substitution of representatives
D. Written consent obtained from the prior representative before the change is made

35. A taxpayer's Section 6501 assessment statute is generally suspended during the pendency of:

A. Ordinary, routine correspondence exchanged between the taxpayer and the IRS
B. A taxpayer's personal vacation travel unrelated to the matter
C. A Tax Court proceeding contesting a notice of deficiency
D. A practitioner's brief, unrelated illness having no connection to the case

36. A voluntary extension of the assessment statute under Form 872 generally benefits:

A. Only the IRS, with no corresponding benefit to the taxpayer whatsoever
B. Only the taxpayer, with no corresponding benefit to the IRS whatsoever
C. Neither party, since the extension serves no practical function at all
D. Both parties, by allowing additional time to resolve the matter without a premature assessment

37. A Technical Advice Memorandum (TAM) is generally requested by:

A. The taxpayer directly, before any examination has even begun
B. An IRS field office needing guidance on a specific issue arising during an examination
C. A federal district court judge presiding over unrelated litigation
D. A state department of revenue handling a separate state tax matter

38. A General Counsel Memorandum historically served to document:

A. The IRS Office of Chief Counsel's internal legal reasoning behind certain positions
B. A taxpayer's own personal legal defense strategy in litigation
C. A state court's ruling in an unrelated state tax dispute
D. A private attorney's confidential communications with their own client

39. A taxpayer's reliance on a superseded Revenue Ruling that has since been replaced by newer guidance is generally:

A. Equally strong support as reliance on the newer, currently applicable guidance
B. Automatically sufficient to establish reasonable cause regardless of the supersession
C. Weak support, since the superseded ruling no longer reflects the IRS's current position
D. Binding on the IRS despite having been formally superseded by newer guidance

40. A well-reasoned, disclosed tax position later rejected by a court is generally distinguishable from evasion because:

A. The taxpayer ultimately prevailed on every aspect of the underlying dispute
B. It reflects a genuine, transparent legal argument rather than concealment or deception
C. The position happened to result in a larger overall tax savings
D. The IRS never actually examined the return containing the position at all

41. The Taxpayer Advocate Service may generally assist a taxpayer who has:

A. Never previously contacted the IRS about the underlying issue at all
B. A purely hypothetical concern with no actual pending IRS matter
C. A dispute already fully and finally resolved with no remaining issue
D. Attempted normal IRS channels without success and is experiencing significant hardship

42. A Taxpayer Assistance Order is generally issued in response to:

A. A completed Form 911 demonstrating significant hardship meeting the applicable criteria
B. A simple verbal request made informally over the phone with no documentation
C. An anonymous tip submitted with no taxpayer identification provided
D. A request submitted directly by an unrelated third party with no authorization

43. An Enrolled Agent's practice rights generally include representing a taxpayer in:

A. A criminal tax prosecution in federal district court
B. A civil case in the U.S. Court of Federal Claims
C. An appeal to a U.S. circuit court of appeals
D. A Collection Due Process hearing

44. A practitioner's preliminary review of a new collection matter should generally include obtaining:

A. Only the taxpayer's personal opinion about the fairness of the amount owed
B. Only the taxpayer's preferred communication method for future correspondence
C. A current account transcript reflecting the taxpayer's actual outstanding balance
D. Only the taxpayer's general impression of the assigned revenue officer

45. A conflict check should generally be performed:

A. Only after the engagement has already substantially concluded
B. Only for clients referred by an entirely unrelated third party
C. Only if the prospective client specifically requests one be performed

D. Before formally accepting any new engagement, regardless of how the client was referred

46. A taxpayer's account transcript will generally show:

A. Only the specific line items reported on the originally filed return itself
B. Payments, penalty assessments, and other account activity occurring after the original filing
C. Only third-party reported income entirely independent of the filed return
D. Nothing at all beyond the taxpayer's basic identifying information

47. The Collection Financial Standards' Local Standards for transportation generally include allowances for:

A. Only vehicle ownership costs, with operating costs entirely excluded from consideration
B. Only vehicle operating costs, with ownership costs entirely excluded from consideration
C. Vehicle ownership costs and vehicle operating costs, evaluated somewhat separately
D. Neither ownership nor operating costs, since transportation is not addressed at all

48. A taxpayer's reliance on the Local Standard for housing rather than actual documented lower costs is generally:

A. Not permitted, since the Local Standard functions as a ceiling, not a floor
B. Fully permitted, since the taxpayer may always claim the full published standard
C. Permitted only if the taxpayer is a homeowner rather than a renter
D. Permitted only if the taxpayer's income exceeds a specific threshold amount

49. A requesting spouse's genuine lack of knowledge regarding an understatement is most relevant to establishing:

A. Only equitable relief, to the complete exclusion of traditional relief
B. Only separation of liability relief, to the complete exclusion of traditional relief
C. Traditional relief under Section 6015(b)

D. No category of innocent spouse relief considers this particular factor at all

50. A taxpayer denied all three categories of innocent spouse relief administratively generally retains the right to:

A. Petition the U.S. Tax Court for independent judicial review of the denial
B. No further recourse whatsoever once every administrative category has been denied
C. Only file a complaint with a state consumer protection agency instead
D. Only request review by the same original IRS employee who denied the request

51. A practitioner evaluating an Innocent Spouse Relief request should generally document:

A. Only the requesting spouse's personal opinion of the other spouse's overall character
B. The specific facts supporting the requesting spouse's lack of knowledge or genuine hardship
C. Only the total combined years the couple was legally married to each other
D. Only the couple's current geographic state of residence at present

52. A practitioner's assessment of potential criminal exposure should generally occur:

A. Only after the taxpayer has already been formally indicted by a grand jury
B. Only if the taxpayer specifically volunteers concern about criminal exposure unprompted
C. Never, since criminal exposure assessment falls entirely outside civil practice
D. Before substantial representation strategy is finalized, ideally at the outset of the engagement

53. A practitioner identifying possible criminal exposure in a client's matter should generally avoid:

A. Recommending the client consult qualified, separate criminal defense counsel
B. Continuing appropriate civil representation within the practitioner's actual defined scope
C. Personally providing criminal legal advice outside the practitioner's own defined competence
D. Documenting the specific basis for the practitioner's referral recommendation

54. A Kovel accountant's communications with the client remain privileged only to the extent they:

A. Genuinely assist the attorney in providing legal advice to the client
B. Involve any communication whatsoever, regardless of its actual purpose or content
C. Occur after the underlying legal matter has already been fully and finally resolved
D. Are made directly and exclusively to the IRS rather than to the attorney

55. A practitioner's case-building work should generally be updated:

A. Only once, at the very beginning of the engagement, with no further updates ever
B. Only if the client specifically requests an update in writing
C. Only if the matter proceeds all the way to formal litigation
D. Continuously, as new facts emerge and the representation develops over time

56. A practitioner's obligation to obtain a signed engagement letter primarily serves to:

A. Automatically satisfy all applicable Circular 230 due diligence obligations by itself
B. Establish clear, documented mutual understanding of the representation's scope and terms
C. Guarantee a specific, favorable resolution of the underlying tax matter
D. Replace the practitioner's own ongoing obligation to perform competent work

57. A wage and income transcript is particularly valuable for a practitioner representing a taxpayer who:

A. Simply wants to confirm the mailing address currently on file with the IRS
B. Wants to confirm only the specific refund method previously selected
C. Wants to confirm only whether a specific extension request was ever filed
D. Is suspected of having significant unreported income requiring reconstruction

58. A practitioner's obligation to safeguard a client's sensitive tax information extends to protecting against:

A. Both intentional and negligent unauthorized disclosure of the information
B. Only intentional disclosure, with negligent disclosure entirely excused from concern
C. Only negligent disclosure, with intentional disclosure entirely excused from concern
D. Neither intentional nor negligent disclosure, since neither carries any real consequence

59. A practitioner's decision to accept a new client should generally include evaluating:

A. Only whether the prospective client happens to share the practitioner's personal interests
B. Whether the practitioner has the requisite competence and capacity to handle the specific matter
C. Only whether the prospective client lives within a convenient driving distance
D. Only whether the prospective client was referred by a particularly notable source

60. A practitioner's overall preliminary case assessment should generally weigh:

A. Only the practitioner's own personal preference for how the matter should ultimately resolve
B. Only the total dollar amount the practitioner expects to earn in fees
C. The strength of the taxpayer's position, applicable deadlines, and the client's genuine objectives
D. Only whether the matter happens to be procedurally interesting to the practitioner

61. A taxpayer's request for a short-term payment extension differs from a formal installment agreement in that a short-term extension:

A. Generally covers a shorter timeframe and does not require the same formal application process
B. Always requires a full Collection Information Statement regardless of the balance owed
C. Extends the payment deadline by exactly five full years in every instance
D. Is available only to taxpayers who have already defaulted on a prior agreement

62. A non-streamlined installment agreement is generally required when a taxpayer's combined balance:

A. Is exactly equal to zero dollars
B. Falls below the guaranteed agreement threshold specifically
C. Exceeds the applicable streamlined agreement threshold
D. Involves only a single, isolated tax year

63. A Partial Payment Installment Agreement remains subject to:

A. No further review of any kind once the agreement is initially established
B. Automatic conversion into a full offer in compromise after exactly one year
C. Immediate termination the moment any single voluntary extra payment is made
D. Periodic IRS review of the taxpayer's financial situation during the agreement's term

64. An offer in compromise based on Effective Tax Administration may be granted even where the taxpayer:

A. Has already fully paid the entire liability through other means
B. Has sufficient assets and income to pay the full liability, if doing so would be inequitable
C. Disputes the underlying liability's legal correctness entirely
D. Has never actually filed the return giving rise to the liability

65. The IRS generally reviews a submitted offer in compromise within approximately:

A. Six to twelve months
B. One to two weeks
C. Exactly thirty days in every single case
D. Five to ten years in typical cases

66. A rejected offer in compromise appealed to the Independent Office of Appeals is generally reevaluated using:

A. An entirely different framework with no relationship to the original offer analysis

B. A purely random selection process with no substantive analysis involved
C. Automatic acceptance regardless of the original offer's actual underlying merits
D. The same hazards of litigation and Reasonable Collection Potential framework Appeals applies generally

67. A lien subordination remedy generally allows:

A. The complete, permanent removal of the federal tax lien's legal effect entirely
B. The removal of the lien from one specific piece of property only
C. Another creditor to move ahead of the federal tax lien in priority for a specific purpose
D. The complete removal of the underlying public NFTL filing itself

68. A levy on a taxpayer's retirement account is generally:

A. Absolutely prohibited under all circumstances regardless of the underlying liability
B. Permitted, though subject to specific procedural and notice requirements
C. Permitted only with the retirement plan administrator's prior written consent
D. Limited exclusively to accounts holding less than $1,000 in total value

69. A Currently Not Collectible determination generally does NOT:

A. Pause active levy action against the taxpayer during the CNC period
B. Remain subject to periodic reevaluation by the IRS
C. Stop interest from continuing to accrue on the underlying unpaid balance
D. Leave the underlying tax liability legally intact

70. A CDP hearing request preserves which right that a CAP request does not?

A. The right to petition Tax Court following an adverse determination
B. The right to request any hearing regarding a collection action at all
C. The right to be represented by a qualified practitioner during the process

D. The right to submit supporting documentation for consideration

71. The Trust Fund Recovery Penalty's 100% assessment amount refers to:

A. An additional penalty equal to 100% on top of the underlying unpaid trust fund taxes
B. The full amount of the unpaid trust fund taxes, not a multiple or fraction of that amount
C. A penalty capped at exactly 50% of the underlying unpaid trust fund taxes
D. A penalty that varies unpredictably from case to case with no fixed relationship

72. A TFRP assessment against multiple responsible persons at the same business generally means:

A. Each responsible person owes a separate, fully independent, and cumulative full penalty amount
B. Only the single most senior responsible person may ever actually be assessed
C. The total collectible amount multiplies with each additional responsible person identified
D. The IRS may collect from any or all of them, but only up to the total unpaid amount once

73. The Section 7525 privilege, unlike attorney-client privilege, generally does NOT extend to:

A. Any communication whatsoever between the taxpayer and any hired professional
B. Communications occurring during a properly authorized representation engagement
C. Communications made for the purpose of genuine tax planning advice
D. State court tax proceedings, regardless of the underlying communication's actual content

74. A practitioner's Cohan-based expense estimate should generally be supported by:

A. No supporting evidence whatsoever, since Cohan permits pure, unsupported guesswork
B. Credible secondary evidence, such as bank records or industry-standard cost data
C. A formal Private Letter Ruling specifically addressing the exact expense claimed
D. A notarized affidavit signed personally by the examining revenue agent

75. An Information Document Request (IDR) that expands beyond the examination's originally stated scope should generally prompt the practitioner to:

A. Automatically comply in full without raising any scope concern whatsoever
B. Immediately terminate the entire examination unilaterally with no further discussion
C. Discuss the scope concern directly with the examiner before producing the additional records
D. File a lawsuit against the examiner personally without any prior discussion

76. A taxpayer's examination concluding with a no-change determination generally means the taxpayer:

A. Owes no additional tax as a result of that specific examination
B. Must still pay a standard administrative processing fee to the IRS
C. Is now permanently immune from any future examination of any kind
D. Automatically receives a full refund of the original tax reported

77. A CP-2000 notice response deadline, if missed entirely, generally results in:

A. Automatic, permanent cancellation of the entire proposed adjustment
B. No consequence whatsoever, since a CP-2000 carries no binding deadline
C. Immediate criminal referral regardless of the underlying circumstances involved
D. The IRS assessing the proposed adjustment based on the unaddressed notice

78. A taxpayer's Tax Court petition, once properly and timely filed, generally has which effect on IRS collection?

A. Collection is generally suspended while the Tax Court case remains pending
B. Collection continues entirely unaffected throughout the pending Tax Court proceeding
C. Collection accelerates specifically because a petition has now been filed
D. Collection is permanently and immediately barred regardless of the eventual outcome

79. A hazards of litigation settlement proposed by Appeals reflects:

A. A purely arbitrary figure with no genuine underlying analytical basis at all
B. The examiner's original position, adopted by Appeals without any independent review
C. A realistic assessment of litigation risk for both the taxpayer and the government
D. The taxpayer's own originally requested position, adopted without independent review

80. A closing agreement following an Appeals settlement generally forecloses:

A. The taxpayer's ability to comply with the agreement's own payment terms
B. Further administrative appeal of the specific issues the agreement actually settled
C. The IRS's ability to ever collect the settled amount from the taxpayer
D. Any future examination of an entirely different, unrelated tax year

81. A Small Case Request eligibility determination is generally made based on the disputed amount:

A. Aggregated across every tax period the taxpayer has ever had, combined
B. Based solely on the taxpayer's total combined net worth generally
C. Per tax period, not aggregated across multiple unrelated tax periods
D. Based solely on the taxpayer's total combined annual income generally

82. A taxpayer's formal written protest that omits the required statement of facts generally:

A. Is automatically accepted regardless of any omission of required content
B. Results in automatic, permanent forfeiture of all further appeal rights
C. Triggers an automatic referral to IRS Criminal Investigation
D. May be returned to the taxpayer with an explanation of what is missing

83. A taxpayer's decision between electing the small tax case procedure and the regular Tax Court procedure should weigh:

A. Whether preserving appellate review rights matters given the specific legal issues involved
B. Only the specific courtroom location where the case happens to be scheduled
C. Only the taxpayer's personal preference for the word "small" in the procedure's name
D. Only the specific season of the year in which the petition happens to be filed

84. Post-Appeals Mediation generally involves a neutral third party who:

A. Imposes a final, legally binding decision on both parties automatically
B. Facilitates communication and potential resolution without imposing a binding decision
C. Represents the IRS's own interests exclusively throughout the entire process
D. Represents the taxpayer's own interests exclusively throughout the entire process

85. A preparer's final accuracy review should generally include cross-checking:

A. Only the software's own internal summary screen with no source document comparison
B. Only whether the return happens to fit on the minimum possible number of pages
C. Only whether the client's name is spelled correctly throughout the document
D. Reported figures against the client's actual original source documents

86. A duplicate entry error inflating reported income most directly harms the client by:

A. Causing an overstatement of tax liability beyond what is actually legally owed
B. Having no practical financial consequence whatsoever for the client
C. Automatically triggering an immediate criminal investigation of the client
D. Permanently barring the client from ever filing electronically again

87. A preparer's recordkeeping obligation under Section 6107(b) exists independently of:

A. The preparer's own status as a paid, compensated tax return preparer
B. The applicable retention period the regulation actually specifies
C. Whatever separate recordkeeping the taxpayer independently chooses to maintain

D. The specific type of return the preparer actually prepared for the client

88. A preparer's technical data safeguards should generally be updated:

A. Only once, at the time the firm's systems were originally first installed
B. Periodically, to reflect evolving security risks and technology changes over time
C. Only if a specific client formally requests an update in writing
D. Never, since initial safeguards are presumed to remain permanently adequate

89. An IRS e-file Application applicant's suitability check may consider:

A. The applicant's own tax compliance history relevant to program participation
B. Only the applicant's personal taste in office interior decoration
C. Only the applicant's preferred brand of computer hardware equipment
D. Only the applicant's personal hobbies unrelated to tax practice generally

90. A firm's EFIN is best understood as:

A. An identical, universal number shared by every authorized Provider nationwide
B. A number that changes automatically and randomly every single tax season
C. A number required only for firms preparing exclusively business returns
D. A unique identifier tied to a specific authorized e-file Provider

91. A Reporting Agent's e-file role generally involves:

A. Exclusively developing tax preparation software for other firms to use
B. Filing returns and reports on behalf of taxpayers under a specific authorization arrangement
C. Exclusively representing taxpayers before the IRS in examination matters
D. Exclusively transmitting data with no filing authority of any kind at all

92. A preparer's covered-return volume for e-file mandate purposes is generally counted:

A. On a rolling five-year average basis rather than any single year
B. Only for returns filed during the first quarter of any given year
C. On a calendar-year basis, consistent with the applicable regulatory framework
D. Cumulatively across the preparer's entire career with no annual reset

93. A preparer's Form 8948 documentation should generally be retained:

A. Consistent with the preparer's general return recordkeeping retention obligations
B. For no defined period at all, since retention is treated as purely discretionary
C. Only until the specific tax season in which it was originally created has ended
D. Only if the taxpayer specifically requests that it be separately retained

94. A preparer's approved Form 8944 hardship waiver generally remains valid:

A. Permanently and indefinitely with no expiration of any kind whatsoever
B. For exactly one single tax return only, regardless of the approval's actual terms
C. For the specific period or circumstances the approval actually specifies
D. Only if renewed formally in writing every thirty calendar days

95. A taxpayer's failure to sign Form 8879 before transmission, if later discovered, generally reflects:

A. A purely harmless technicality carrying no practical significance at all
B. A procedural violation of the required e-file authorization sequence
C. Grounds for automatic criminal prosecution of the responsible ERO
D. Evidence the underlying return itself must be substantively inaccurate

96. An ERO's obligation to retain Form 8879 exists to support:

A. Only the preparer's own internal billing and invoicing records exclusively
B. Only the preparer's marketing efforts directed toward future prospective clients
C. Only the preparer's own personal continuing education tracking records
D. Verification that the taxpayer properly authorized the electronic filing before it occurred

97. Form 8453's specific list of documents requiring separate transmittal is generally:

A. Subject to periodic change as the scope of acceptable electronic transmission expands
B. Permanently fixed and unchanging since the form's original creation
C. Identical across every possible category of tax return filed
D. Left entirely to each individual preparer's own personal discretion

98. A rejected return's perfection period is best understood as protecting the taxpayer's:

A. Right to an automatic full refund regardless of the return's ultimate accuracy
B. Original timely-filed status despite an intervening, correctable rejection
C. Right to permanently avoid ever having to correct the identified error
D. Right to an automatic filing deadline extension of one additional full year

99. A preparer noticing a pattern of identity-theft-related rejections across multiple unrelated clients should generally:

A. Dismiss the pattern entirely as simple, unrelated coincidence requiring no further thought
B. Assume the pattern is caused exclusively by IRS system-wide processing errors
C. Consider whether the pattern suggests a broader security concern warranting further investigation
D. Take no action of any kind since each individual client's matter is unrelated

100. An e-file Provider's overall responsibility for EFIN security ultimately serves to protect:

A. Only the Provider's own narrow, immediate short-term financial interests exclusively
B. Only the IRS's own internal administrative convenience, with no other beneficiary

C. Only a single individual taxpayer's own personal narrow interests in isolation

D. Both the Provider's own professional standing and the broader integrity of the e-file system

Practice Exam 5: Answer Key and Explanations

1. A — A—An applicant must generally apply for enrollment within one year of passing all three parts of the SEE, connecting the exam success to the actual enrollment application. Five years overstates the actual window, a complete absence of any time limit misstates the rule, and thirty days after only the first part is not the correct trigger.

2. C — C—The continuing education requirement includes a specific minimum number of hours devoted specifically to ethics within the broader 72-hour, three-year cycle total practitioners must complete. Marketing and business development, software training, and general office management topics are not the specific mandated component this ethics-hours minimum requirement addresses under the rules.

3. B — B—A PTIN must generally be renewed annually, a separate and distinct cycle from the three-year EA enrollment renewal cycle covering the underlying credential itself entirely. It is not aligned with the three-year EA cycle, is not a one-time permanent registration, and is not renewed on a five-year schedule at all.

4. D — D—OPR's disciplinary authority derives from Circular 230 and the underlying statutory authority granting Treasury the power to regulate practitioners appearing before the IRS generally. It is not derived from state bar rules, does not derive from private client contracts, and is not derived from a separate Criminal Investigation enforcement manual.

5. B — B—Due diligence requires a reasonable inquiry specifically where a claimed expense appears implausible given the facts already known to the practitioner, not blanket independent auditing of every expense. Full third-party audit verification of everything, automatic disallowance above an arbitrary threshold, and no inquiry at all under any circumstances all misstate this standard.

6. D — D—The Section 10.21 disclosure obligation is triggered by the practitioner's actual knowledge of the specific noncompliance, not by mere rumor, speculation, or waiting for the client's own confession. A formal IRS notice addressed to the practitioner personally is not itself the trigger; actual knowledge of the client's noncompliance is what matters.

7. C — C—A contingent fee connected to a refund claim filed in connection with an examination falls within a recognized exception to the general contingent fee prohibition. It is not prohibited with no exception, carries no specific dollar minimum, and is not restricted to attorneys, applying equally to Enrolled Agents under the applicable rules.

8. A — A—The unconscionable fee analysis does not consider superficial formatting details like invoice font style, which are entirely unrelated to whether the underlying fee charged was actually reasonable. Matter complexity, time genuinely required, and results actually achieved are all substantive factors this reasonableness analysis does properly consider under the applicable rules.

9. A — A—Such advertising is permitted, since contingent fees are specifically allowed for representation connected to an IRS examination, a recognized exception to the general fee prohibition. Contingent fee advertising is not categorically banned in every context, is not conditioned on a specific font size, and carries no minimum dollar threshold requirement.

10. C — C—A state-recognized retaining lien can affect record return specifically where applicable state law permits the practitioner to retain certain records pending payment of outstanding fees owed to the firm. General client dissatisfaction, prior referrals made, and simple engagement duration are all irrelevant to whether a genuine state-law retaining lien actually applies here.

11. B — B—A proper conflict disclosure describes the material facts of the actual conflict and explains how the representation might reasonably be affected by it, informing genuine client consent. The practitioner's years of experience, fee amount, and educational background are not themselves the required content of this specific conflict disclosure under the rules.

12. D — D—A practitioner should reassess whether continued joint representation remains appropriate once spouses separate and their interests may begin genuinely diverging from one another. Continuing unchanged with no reassessment, automatic immediate termination of both without analysis, and simply favoring whoever retained services first all fail to properly address this evolving conflict.

13. D — D—Reasonable Section 10.36 compliance procedures should address substantive matters like how the firm reviews and monitors the accuracy of prepared returns before they are actually filed with the IRS. Holiday party planning, parking lot maintenance, and break room stocking are all unrelated administrative matters, not the substance this specific compliance obligation addresses.

14. B — B—The key distinction is the practitioner's actual knowledge of the applicable rule combined with deliberate disregard of it, reflecting genuinely higher culpability than mere negligent conduct. The dollar amount involved, the specific calendar month, and the client's personal satisfaction are not themselves the distinguishing factors between willful and negligent violations here.

15. A — A—Failing to properly sign a prepared return as the paid preparer is a genuine compliance violation potentially subject to Circular 230 sanction, not a matter of mere personal preference. It is not automatically excused by otherwise substantive accuracy, and it remains a violation regardless of whether the client happens to specifically complain about it.

16. C — C—A practitioner sanctioned with a monetary penalty must generally pay it within the timeframe OPR specifies in the final disciplinary decision, a genuine, enforceable financial obligation. Payment is not conditioned on also losing the PTIN, is not purely symbolic with no actual payment required, and does not require a separate criminal conviction.

17. D — D—The accuracy obligation applies broadly to representations made to the Department of the Treasury generally, which includes but is not strictly limited to the IRS itself. It is not limited to only the specific employee physically present, is not limited to notarized documents, and applies during, not only after, a matter concludes.

18. C — C—Section 10.23 applies broadly to administrative matters before the IRS generally and to the practitioner's overall responsiveness, not narrowly limited to Appeals conferences specifically alone. It is not limited only to Appeals matters, does not require an explicit written urgency request from the taxpayer, and carries no minimum dollar threshold.

19. A — A—A pattern of the practitioner's own filing failures reflects directly on fitness to represent others in meeting their own tax obligations, a genuinely relevant professional concern. This is not purely a personal financial matter without professional relevance, is not about software choice, and does carry real professional significance under Circular 230.

20. B — B—The Section 10.20 record submission obligation is limited by applicable privilege doctrines, such as a genuinely applicable attorney-client privilege protecting certain communications from disclosure to the IRS. It is not entirely without limitation, is not limited by mere personal convenience, and does not depend on the requesting employee's specific job title.

21. A — A—Section 10.34 applies both to preparing original returns and to giving advice on positions a client might take, covering the practitioner's role in either professional capacity. It is not limited only to preparation or only to advice separately, and it substantively addresses return positions themselves, not merely penalties in isolation.

22. D — D—Reasonable basis requires a genuine, good-faith belief the position has a reasonable possibility of being sustained if challenged, not absolute certainty or a formal advance ruling. Absolute certainty overstates the standard, a formal PLR is not a prerequisite, and disclosure alone does not substitute for having a genuine basis in the first place.

23. B — B—Section 10.33 encourages clear communication with clients about engagement terms, a foundational best practice supporting genuinely effective representation and appropriate expectation-setting throughout the entire engagement. It does not encourage avoiding written documentation, does not encourage guaranteeing outcomes to attract clients, and does not encourage withholding the reasoning behind advice given.

24. C — C—A genuine firm-wide compliance failure can result in sanctions against the firm itself, independent of any separate sanction imposed on a specific individual practitioner within it. This is not limited only to individual practitioners, firms genuinely can be sanctioned under Circular 230, and outside general counsel is not the target of this provision.

25. D — D—Undertaking an unfamiliar matter without adequate research or consultation can itself violate the Section 10.35 competence standard, regardless of the ultimate outcome. This is not acceptable simply because the client was uninformed, is not outside Circular 230's scope, and the violation does not depend on whether the advice later proves incorrect.

26. A — A—Competence is assessed against what a reasonably prudent practitioner would do given the same matter and surrounding circumstances, an objective professional standard. It is not measured against the single most experienced practitioner nationally, is not based on the practitioner's own subjective comfort, and is not defined by the client's personal belief.

27. C — C—Advertising that is technically true but creates a misleading overall impression is still prohibited, since the governing standard looks at overall impression, not merely technical word-by-word accuracy. Technical truthfulness alone is not automatically sufficient, a small disclaimer does not cure a misleading overall impression, and a competitor complaint is not required to trigger the prohibition.

28. B — B—Section 10.51(a)(1) specifically requires an actual criminal conviction under a revenue law provision, a distinct and more serious category than a routine civil examination adjustment made. A mere civil adjustment, an unrelated client lawsuit, and a separate state bar disciplinary action do not themselves satisfy this specific criminal conviction requirement.

29. C — C—Section 10.51(a)(7) requires showing at least one of the three distinct culpability levels—knowing, reckless, or grossly incompetent—not all three present simultaneously in every case. A merely incorrect opinion given in good faith, without one of these culpability levels shown, does not itself violate this provision, and no separate conviction is required.

30. A — A—Circular 230 obligations exist independently of whether any specific client ever files a formal complaint, since OPR can identify and address violations through other means as well. These obligations are not independent of the practitioner's own conduct, the applicable Treasury standards, or the broader tax system integrity these rules are designed to protect.

31. D — D—The disciplinary framework generally proceeds through stages: informal resolution attempts, a formal complaint if unresolved, and ultimately a hearing before an Administrative Law Judge if contested. It does not proceed through automatic disbarment for every violation, is not a single unappealable decision, and is not private arbitration outside IRS or OPR involvement.

32. B — B—A withdrawing representative should generally notify both the taxpayer and the relevant IRS office, ensuring the record accurately reflects that representation has genuinely ended already. Notifying only the taxpayer, only the IRS, or neither party at all all leave an incomplete or inaccurate picture of the representative's current actual status.

33. B — B—A Form 2848 remains in effect until revoked, the taxpayer's death, or the specific matters and periods it covers have concluded, whichever occurs first. It does not automatically expire after thirty days, does not terminate simply because the representative changes employers, and is not affected by an unrelated subsequent return.

34. A — A—To preserve a prior overlapping authorization rather than having it automatically revoked, the taxpayer must attach a copy of that prior authorization to the new Form 2848 filing. Both authorizations do not automatically coexist without this step, no court order is required, and the prior representative's consent is not needed.

35. C — C—The assessment statute is suspended during the pendency of a Tax Court proceeding contesting a notice of deficiency, a recognized tolling event under Section 6503 specifically. Ordinary routine correspondence, unrelated personal vacation travel, and a practitioner's unrelated illness are not recognized tolling events affecting the running of this specific statute.

36. D — D—A Form 872 extension generally benefits both parties by allowing additional time to fully resolve the matter, avoiding a premature or rushed assessment before all facts are developed. It does not benefit only the IRS or only the taxpayer exclusively, and it genuinely serves a real practical function for both sides.

37. B — B—A TAM is requested by an IRS field office needing guidance on a specific technical issue that has already arisen during an active examination, not by the taxpayer directly. It is not requested by a federal court judge in unrelated litigation, and it is not requested by a state revenue department handling a separate matter.

38. A — A—A General Counsel Memorandum historically documented the IRS Office of Chief Counsel's internal legal reasoning underlying certain positions, an internal legal analysis resource. It did not document a taxpayer's own personal defense strategy, a state court's ruling, or a private attorney's confidential client communications, all unrelated to this specific internal document.

39. C — C—Relying on a superseded Revenue Ruling is generally weak support, since the superseded guidance no longer reflects the IRS's genuinely current position on the issue addressed. It is not equally strong as relying on current guidance, is not automatically sufficient for reasonable cause, and does not remain binding on the IRS after supersession.

40. B — B—Such a position is distinguishable from evasion because it reflects a genuine, transparent legal argument openly disclosed, rather than concealment or deliberate deception of the government. It is not distinguishable based on ultimately prevailing, is not distinguishable based on the resulting savings amount, and does not depend on whether the IRS ever examined it.

41. D — D—TAS typically assists a taxpayer who has attempted normal IRS channels without success and is experiencing genuine, significant hardship as a result of the unresolved matter. It is not limited to taxpayers who have never contacted the IRS, does not address purely hypothetical concerns, and does not assist with already fully resolved matters.

42. A — A—A TAO is generally issued in response to a properly completed Form 911 demonstrating significant hardship meeting the recognized applicable criteria for genuine TAS involvement. A mere informal verbal request, an anonymous unidentified tip, and an unauthorized third-party request do not themselves properly trigger this specific formal TAO process at all.

43. D — D—An EA's unlimited administrative practice rights include representing a taxpayer in a Collection Due Process hearing, an administrative proceeding squarely within the EA's recognized practice scope. Criminal prosecution, the Court of Federal Claims, and a circuit court appeal are all forums reserved for licensed attorneys, outside an EA's practice authority entirely.

44. C — C—A proper preliminary review includes obtaining a current account transcript reflecting the taxpayer's actual outstanding balance, establishing an accurate factual baseline for the entire matter. The taxpayer's personal opinion about fairness, preferred communication method, and general impression of the revenue officer are not themselves the substantive baseline information genuinely needed.

45. D — D—A conflict check should be performed before formally accepting any new engagement, regardless of how the client happened to be referred to the practitioner. Performing it only after the engagement has already substantially concluded defeats its purpose, and it should not depend on referral source or a specific client request.

46. B — B—An account transcript shows payments, penalty assessments, and other account activity occurring after the original filing, distinct from a return transcript's own reported line items. It does not show only the original return's line items, is not limited to third-party reported income, and shows genuine substantive account activity beyond mere identifying information.

47. C — C—Local Standards for transportation generally include separate allowances addressing both vehicle ownership costs and vehicle operating costs, evaluated somewhat independently of one another for a taxpayer. It is not limited to ownership costs alone, is not limited to operating costs alone, and transportation is genuinely addressed within the Collection Financial Standards framework.

48. A — A—Because the Local Standard for housing functions as a ceiling, the IRS generally allows only the lesser of actual documented cost or the published standard, not the full standard regardless. Claiming the full standard regardless of lower actual cost is not permitted, and this ceiling function applies to both renters and homeowners alike.

49. C — C—Genuine lack of knowledge is most directly relevant to establishing traditional relief under Section 6015(b), which specifically requires the requesting spouse to lack such knowledge. It is not exclusively relevant only to equitable relief or only to separation of liability relief, and it genuinely is considered within the innocent spouse framework.

50. A — A—A taxpayer denied relief across all three recognized categories administratively still generally retains the right to petition Tax Court for independent judicial review of the denial. This is not a complete dead end with no further recourse, is not properly redirected to a state consumer agency, and is not limited to the same original reviewer.

51. B — B—Proper documentation focuses on the specific facts supporting the requesting spouse's genuine lack of knowledge or hardship, the actual substantive elements relief genuinely requires. The other spouse's character generally, total years married, and current state of residence are not themselves the primary substantive facts this documentation should focus on here.

52. D — D—This assessment should occur before substantial strategy is finalized, ideally at the very outset of the engagement, since criminal exposure can fundamentally reshape the approach. Waiting until formal indictment, waiting for the taxpayer to unprompted raise it, and never assessing it at all are all inappropriate and risk serious harm to the client.

53. C — C—A practitioner should generally avoid personally providing criminal legal advice outside their own defined competence once genuine criminal exposure is identified in the client's underlying tax matter. Recommending separate criminal counsel, continuing appropriate civil representation within scope, and documenting the referral basis are all appropriate, recommended responses to take instead.

54. A — A—Kovel privilege protection extends only to communications that genuinely assist the attorney in providing legal advice to the client, not to every communication regardless of purpose. It does not cover any communication whatsoever, does not require the matter to already be resolved, and does not apply to communications made directly to the IRS.

55. D — D—Case-building work should be updated continuously as new facts genuinely emerge and the representation develops, not treated as a single one-time task completed upfront. It should not be updated only at the outset with no further revision, only upon a specific client request, or only if the matter ultimately reaches litigation.

56. B — B—A signed engagement letter primarily establishes clear, documented mutual understanding of the representation's actual scope and terms from the very outset of the relationship. It does not itself automatically satisfy separate due diligence obligations, cannot guarantee a favorable outcome, and does not replace the ongoing obligation to perform genuinely competent work.

57. D — D—A wage and income transcript is particularly valuable when representing a taxpayer suspected of having significant unreported income that genuinely needs to be reconstructed from third-party data. Confirming a mailing address, a refund method previously selected, or an extension filing are better served by other, different transcript types entirely instead.

58. A — A—The safeguarding obligation extends to protecting against both intentional and negligent unauthorized disclosure of sensitive client information, not merely one category to the exclusion of the other. It is not limited to only intentional disclosure, is not limited to only negligent disclosure, and both categories genuinely carry real professional consequence.

59. B — B—A sound acceptance decision evaluates whether the practitioner genuinely has the requisite competence and capacity to handle the specific matter actually being presented for representation. Shared personal interests, convenient driving distance, and the notability of the referral source are not themselves the substantive factors this acceptance decision should turn on.

60. C — C—A sound preliminary assessment weighs the actual strength of the taxpayer's position, applicable deadlines, and the client's genuine objectives for the matter overall. The practitioner's own personal preference for the outcome, expected fee income, and personal interest in the matter's novelty are not themselves the substantive factors this assessment should prioritize.

61. A — A—A short-term extension generally covers a shorter timeframe and does not require the same formal application process a full installment agreement demands, offering simpler near-term relief. It does not always require a full CIS, does not extend the deadline by five years, and does not require a prior agreement default as a prerequisite.

62. C — C—A non-streamlined agreement, requiring full financial disclosure, is generally required once the taxpayer's combined balance exceeds the applicable streamlined agreement threshold amount. A zero balance would not require any agreement at all, falling below the guaranteed threshold would instead qualify for the simpler guaranteed agreement, and the number of years involved is not the determining factor.

63. D — D—A PPIA remains subject to periodic IRS review of the taxpayer's financial situation throughout the agreement's term, unlike a fully settled offer in compromise. It is not free of any further review once established, does not automatically convert into an offer in compromise, and is not immediately terminated by a single voluntary extra payment.

64. B — B—Effective Tax Administration can apply even where the taxpayer technically has sufficient assets and income to pay in full, if doing so would create genuine inequity or hardship. An already fully paid liability, a pure liability dispute, and an unfiled underlying return describe entirely different, unrelated scenarios not addressed by this specific ground.

65. A — A—A submitted offer in compromise is generally reviewed within approximately six to twelve months, reflecting the substantive financial analysis the IRS must conduct. One to two weeks is far too short for this analysis, thirty days does not reflect the typical actual timeframe, and five to ten years dramatically overstates the typical review period.

66. D — D—An appealed offer is reevaluated using the same general hazards of litigation and Reasonable Collection Potential framework Appeals applies to disputes generally, not an unrelated separate process. It is not evaluated under an entirely different unrelated framework, is not a random process, and is not automatically accepted regardless of the offer's actual merits.

67. C — C—Subordination allows another creditor to move ahead of the federal tax lien in priority for a specific purpose, such as facilitating refinancing, without removing the lien itself. Complete permanent removal describes a release, removal from one specific property describes a discharge, and removal of the public filing describes a withdrawal instead.

68. B — B—A retirement account levy is generally permitted, though it remains subject to specific procedural and notice requirements the IRS must satisfy before proceeding. It is not absolutely prohibited under all circumstances, does not require the plan administrator's prior consent, and carries no specific dollar-value ceiling limiting when it may be used.

69. C — C—CNC status does not stop interest from continuing to accrue on the unpaid balance throughout the CNC period, even while active levy action is generally paused. It does pause active levy action, does remain subject to periodic reevaluation, and does leave the underlying legal liability fully intact rather than eliminating it.

70. A — A—A timely CDP hearing specifically preserves the right to petition Tax Court following an adverse determination, a right a CAP determination's finality does not preserve. Both CDP and CAP allow requesting some form of hearing, both permit representation by a qualified practitioner, and both allow submitting supporting documentation for consideration.

71. B — B—The TFRP's 100% figure refers to the full amount of the actual unpaid trust fund taxes themselves, not an additional penalty layered on top of that amount. It is not an additional 100% penalty stacked on top, is not capped at 50%, and does follow a fixed, predictable relationship to the underlying unpaid trust fund tax amount.

72. D — D—The IRS may collect from any or all identified responsible persons, but the total amount actually collected across everyone is capped at the single unpaid amount owed. It is not a cumulative multiplied liability across each person, is not limited to only the most senior person, and does not multiply with additional persons identified.

73. D — D—Unlike attorney-client privilege, Section 7525 does not extend to state court tax proceedings at all, regardless of the underlying communication's actual substantive content or purpose. It is not that any communication whatsoever with any hired professional is protected, and it does apply to genuine tax planning communications made during a properly authorized engagement.

74. B — B—A properly supported Cohan estimate relies on credible secondary evidence, such as bank statements or industry-standard cost data, not pure unsupported guesswork with no evidentiary anchor. It does not require a formal PLR specifically addressing the exact expense, and it certainly does not require a notarized affidavit from the examining agent.

75. C — C—The appropriate response is discussing the scope concern directly with the examiner before producing additional records, seeking clarification or narrowing rather than taking unilateral action. Automatic full compliance with no concern raised, unilaterally terminating the examination, and filing a personal lawsuit without discussion are all disproportionate or inappropriate initial responses.

76. A — A—A no-change determination means the taxpayer owes no additional tax as a result of that specific examination, since the return was accepted substantially as originally filed. It does not require paying any processing fee, does not grant permanent future examination immunity, and does not itself trigger an automatic refund of the original reported tax.

77. D — A—Missing the CP-2000 response deadline entirely generally results in the IRS simply assessing the proposed adjustment based on the unaddressed automated notice received. It does not result in automatic permanent cancellation of the adjustment, is not consequence-free since a genuine deadline does apply, and does not trigger automatic criminal referral.

78. A — A—A timely filed Tax Court petition generally suspends IRS collection activity while the case remains pending, preserving the pre-payment litigation posture the petition establishes. Collection does not continue entirely unaffected, does not accelerate because of the filing, and is not permanently barred regardless of how the case is eventually decided.

79. C — C—A hazards-based settlement reflects a realistic, independently assessed litigation risk for both sides, neither simply adopting the examiner's original position nor the taxpayer's requested position wholesale entirely. It is not a purely arbitrary figure lacking analytical basis, and it is not merely a rubber-stamp of either party's original starting position.

80. B — B—A closing agreement generally forecloses further administrative appeal specifically of the issues the agreement actually settled, providing genuine finality on those particular matters. It does not foreclose the taxpayer's own ability to comply with payment terms, does not foreclose the IRS's ability to collect the settled amount, and does not bar an unrelated future year's examination.

81. C — C—Small Case Request eligibility is determined per individual tax period, not by aggregating the disputed amount across multiple unrelated tax periods into one combined figure. It is not based on the taxpayer's total net worth generally, and it is not based on the taxpayer's total annual income generally, but on the specific per-period disputed amount.

82. D — D—A deficient protest omitting required content, such as the statement of facts, may generally be returned to the taxpayer with an explanation of what is missing, allowing correction. It is not automatically accepted despite the omission, does not automatically forfeit all further appeal rights permanently, and does not trigger an automatic criminal referral.

83. A — A—This decision should weigh whether preserving appellate review rights genuinely matters given the specific legal issues actually involved in the underlying case at hand. The courtroom location, personal preference for procedural terminology, and the season of filing are not themselves the substantive factors this important procedural election should turn on.

84. B — A—A Post-Appeals mediator facilitates communication and potential resolution between the parties without imposing any binding decision, unlike a binding arbitrator's more definitive role entirely. The mediator does not impose a binding decision automatically, and the mediator remains neutral rather than exclusively representing either the IRS's or the taxpayer's own interests.

85. D — D—A thorough accuracy review cross-checks reported figures against the client's actual original source documents, catching errors internal software summaries alone cannot ever reveal on their own. Reviewing only the internal summary screen, minimizing page count, and checking only name spelling are all insufficient substitutes for this genuine source-document verification step.

86. A — A—A duplicate entry inflating income directly harms the client by overstating the tax liability beyond what is actually legally owed under an accurate reading of the facts. It is not without practical financial consequence, does not automatically trigger a criminal investigation, and does not permanently bar the client from future electronic filing.

87. C — A—The preparer's own recordkeeping obligation exists entirely independently of whatever separate records the taxpayer independently chooses to maintain for their own personal purposes and files. It is not independent of the preparer's own paid status, the applicable retention period the rule specifies, or the specific type of return actually prepared.

88. B — A—Reasonable data safeguards should be updated periodically to reflect evolving security risks and ongoing technology changes, not treated as a one-time initial setup. They should not remain static from original installation, should not depend on a specific client request, and are not presumed permanently adequate without any updates over time.

89. A — A—The suitability check may properly consider the applicant's own actual documented tax compliance history, directly relevant to determining fitness for genuine e-file program participation and public trust. Office decoration taste, computer hardware brand preference, and unrelated personal hobbies are not themselves the substantive factors this particular suitability evaluation actually considers.

90. D — D—An EFIN is a unique identifier tied specifically to a particular authorized e-file Provider, not a universal or randomly changing number shared broadly across the industry. It is not identical across every Provider nationwide, does not change randomly each season, and is required for both individual and business return e-file activity generally.

91. B — B—A Reporting Agent's role generally involves filing returns and reports on a taxpayer's behalf under a specific recognized authorization arrangement, a distinct e-file Provider category entirely. It does not exclusively involve software development, does not exclusively involve examination representation, and does involve genuine filing authority, not merely data transmission alone.

92. C — A—Covered-return volume for e-file mandate purposes is generally counted on a calendar-year basis, consistent with the applicable regulatory framework governing the specified preparer threshold. It is not counted as a rolling five-year average, is not limited to only the first quarter, and does not accumulate across an entire career without an annual reset.

93. A — A—Form 8948 documentation should generally be retained consistent with the preparer's broader general return recordkeeping retention obligations under Section 6107(b) discussed earlier. Retention is not purely discretionary with no defined period, does not end merely when the originating tax season concludes, and does not depend on a specific taxpayer request.

94. C — A—An approved hardship waiver remains valid for the specific period or circumstances the actual approval specifies, not indefinitely or for an arbitrary fixed single-return period. It is not permanent and indefinite with no expiration at all, is not limited to exactly one single return, and does not require a thirty-day renewal cycle.

95. B — A—Transmitting before actually obtaining the required signature reflects a genuine procedural violation of the mandated e-file authorization sequence, not a harmless technicality at all. It is not automatically grounds for criminal prosecution of the ERO, and it does not itself constitute evidence the underlying return's substantive figures are actually inaccurate.

96. D — A—The Form 8879 retention obligation exists specifically to support later verification that the taxpayer properly authorized the electronic filing before the actual transmission occurred. It is not primarily about supporting internal billing records, marketing efforts, or the preparer's own personal continuing education tracking, all unrelated to this specific retention purpose.

97. A — A—The specific list of documents requiring Form 8453 transmittal is subject to periodic change as the IRS's electronic transmission capabilities and acceptable scope continue expanding over time. It is not permanently fixed since the form's original creation, is not identical across every return category, and is not left to individual preparer discretion.

98. B — A—The perfection period protects the taxpayer's original timely-filed status despite an intervening, correctable rejection, provided the correction occurs within the applicable window of time allowed. It does not guarantee an automatic full refund, does not allow permanently avoiding the needed correction, and does not grant an automatic full year's deadline extension.

99. C — A—Noticing such a pattern should prompt considering whether it suggests a broader security concern, such as a data breach, warranting genuine further investigation by the firm. Dismissing it as coincidence, assuming it is purely an IRS system error, and taking no action at all all risk overlooking a serious underlying security issue.

100. D — A—EFIN security obligations ultimately serve to protect both the Provider's own professional standing and the broader integrity of the overall e-file system relied upon by everyone. This is not solely about narrow short-term financial interests, is not solely about IRS administrative convenience, and is not limited to protecting a single isolated taxpayer's interests.