PRACTICE EXAM 6: 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 status as an Enrolled Agent is publicly verifiable through:

A. No mechanism whatsoever, since EA status is treated as strictly confidential
B. A private, third-party commercial background check service exclusively
C. The practitioner's own personal, informal social media profile pages
D. The IRS's own directory of federal tax return preparers with credentials or select qualifications

2. A practitioner's Enrolled Agent status is distinct from a general PTIN holder in that only the EA:

A. May prepare a tax return for compensation under any circumstances
B. Holds unlimited representation rights across all IRS administrative matters and forums
C. Is required to obtain a PTIN before preparing any return at all
D. Is subject to any Circular 230 oversight whatsoever

3. A practitioner's failure to complete required continuing education by the renewal deadline generally results in:

A. The enrollment lapsing into inactive status pending completion
B. Immediate and permanent disbarment with no possibility of correction
C. No consequence whatsoever, since continuing education is treated as optional
D. Automatic conversion to a different, unrelated professional credential

4. The purpose of OPR's suitability check for new EA applicants is primarily to:

A. Verify the applicant's specific college grade point average
B. Confirm the applicant's preferred choice of tax preparation software
C. Evaluate whether the applicant's own tax compliance and background support enrollment
D. Determine the applicant's specific geographic office location

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

A. Independent government verification of every single claimed dependent without exception
B. Automatic disallowance of any dependent claim exceeding a specific number
C. A reasonable inquiry where the claimed relationship or residency appears questionable
D. No inquiry whatsoever regardless of how questionable the claim may appear

6. A practitioner's advice that a client structure cash transactions specifically to avoid a currency reporting requirement is generally:

A. Legitimate tax avoidance advice, since minimizing reporting is always permissible
B. Disreputable conduct, since structuring to evade a reporting requirement is itself unlawful
C. Irrelevant to Circular 230, since currency reporting is not a tax matter
D. Permitted so long as the client's underlying income is fully reported

7. A contingent fee arrangement is generally permitted for representation involving:

A. A claim solely for statutory interest or penalty abatement
B. Preparation of an original individual income tax return with no examination pending
C. Preparation of an original business income tax return with no examination pending
D. A routine amended return filed proactively with no IRS notice involved

8. A practitioner's fee that is disproportionate to the value of services rendered, given the specific circumstances, may be evaluated as:

A. Automatically acceptable so long as the client agreed to it in writing
B. Entirely outside Circular 230's scope of regulation
C. Relevant only if a competitor files a formal complaint
D. Potentially unconscionable under Section 10.27

9. A practitioner's advertisement listing years of experience must generally:

A. Round up to the nearest full decade for marketing simplicity
B. Include only years spent specifically as a licensed attorney
C. Exclude any years spent working for the IRS itself previously
D. Accurately reflect the practitioner's genuine years of actual relevant experience

10. A conflict of interest analysis under Section 10.29 is fundamentally concerned with:

A. Whether the practitioner can provide competent, diligent representation despite the identified conflict
B. Whether the practitioner personally likes each of the affected clients equally
C. Whether the affected clients happen to live in the same city
D. Whether the affected clients share the same last name

11. Written confirmation of informed consent to a conflict must generally be retained:

A. Nowhere at all, since retention of consent documentation is unnecessary
B. Only in the client's own personal records, never the practitioner's own file
C. As part of the practitioner's client file, consistent with general recordkeeping practices
D. Only for the specific duration of the initial consultation meeting

12. A firm's Section 10.36 procedures should generally include a mechanism for:

A. Tracking employee attendance at purely social firm gatherings and events
B. Identifying and correcting recurring compliance issues discovered among firm personnel
C. Managing the firm's parking lot assignment and rotation schedule
D. Coordinating the firm's holiday office decoration and party planning

13. A practitioner's Section 10.51(a)(4) violation involves giving false information to:

A. Only a private, non-governmental commercial credit reporting agency
B. Only the practitioner's own malpractice insurance carrier
C. Only a state, non-federal licensing board unrelated to federal tax practice
D. The Department of the Treasury, encompassing the IRS and related components

14. A practitioner's discovery, mid-engagement, that a client's prior representation to the IRS was materially false should generally prompt:

A. Continuing the engagement exactly as before with no reassessment of any kind
B. Prompt disclosure to the client and consideration of the practitioner's continued involvement
C. Immediate, direct disclosure to the IRS without first informing the client at all
D. No action whatsoever since the false representation was made before this engagement began

15. A censure sanction generally does NOT:

A. Bar the practitioner from continuing to practice before the IRS
B. Appear as a formal, public disciplinary action on the practitioner's record
C. Reflect a genuine finding of some Circular 230 violation
D. Carry potential reputational consequences for the practitioner

16. A suspended practitioner's status during the suspension period is best described as:

A. Fully authorized to continue practicing exactly as before the suspension
B. Permanently and irrevocably barred with no possibility of ever resuming practice
C. Barred from practicing before the IRS for the specific defined suspension period
D. Automatically converted into a different, unrelated professional credential

17. A monetary penalty imposed under Section 10.50 is generally payable to:

A. The specific client whose matter gave rise to the underlying violation
B. The United States Treasury
C. A private charitable organization selected by OPR
D. The practitioner's own state licensing board

18. A practitioner seeking reinstatement following disbarment generally bears the burden of showing:

A. Nothing at all, since reinstatement is granted automatically after the waiting period
B. Only that the mandatory five-year waiting period has technically elapsed
C. Only that the practitioner has paid all previously assessed monetary penalties in full
D. Genuine present fitness to practice and that reinstatement would not harm public interest

19. A practitioner's obligation under Section 10.23 to avoid unreasonable delay applies most directly to:

A. Matters properly pending before the IRS involving the practitioner's represented client
B. The practitioner's own personal, entirely unrelated household errands
C. The practitioner's own leisure travel scheduling for vacation purposes
D. Matters the practitioner has no professional involvement with whatsoever

20. A practitioner's obligation regarding accuracy of representations extends to representations made through:

A. Only formal, notarized written documents submitted to the IRS
B. Only representations made during a scheduled, formal examination interview

C. Any medium, including written correspondence, electronic communication, and oral statements
D. Only representations specifically requested in writing by the IRS employee

21. A practitioner's Section 10.51(a)(6) violation for the practitioner's own filing failures applies to:

A. A single, isolated, honest oversight in filing one return slightly late
B. Only failures involving the practitioner's own employment tax returns exclusively
C. Only failures occurring during the practitioner's very first year of enrollment
D. A pattern of willful failures to file the practitioner's own required returns

22. A practitioner's obligation to promptly return client records under Section 10.28 applies:

A. Only if the client has fully paid every outstanding invoice in advance
B. Regardless of whether the client owes the practitioner any outstanding fee
C. Only if the client specifically requests the records in a notarized form
D. Never, once the underlying engagement has formally and completely concluded

23. A practitioner's written tax opinion that reaches a conclusion favorable to the client, without adequately addressing contrary authority, may:

A. Fully satisfy every applicable Circular 230 written opinion standard regardless of one-sidedness
B. Be evaluated under an entirely separate body of law unrelated to Circular 230
C. Fall short of the analytical standards Circular 230 imposes on written opinions
D. Carry no consequence provided the client is ultimately satisfied with the result

24. A practitioner's competence obligation under Section 10.35 is evaluated relative to:

A. The specific complexity and demands of the particular matter actually undertaken
B. A single, universal standard identical regardless of the matter's actual complexity
C. The practitioner's own personal, subjective self-assessment of their abilities
D. The client's own personal, subjective assessment of the practitioner's abilities

25. A practitioner declining to represent a client whose position the practitioner believes is frivolous is generally:

A. A violation of an implied duty to represent any client seeking assistance
B. Irrelevant to Circular 230's return position standards entirely
C. Consistent with the practitioner's obligations under Section 10.34
D. Permitted only if the practitioner first obtains the client's own written consent

26. A practitioner's best practices obligation regarding client communication under Section 10.33 is best understood as:

A. A mandatory rule carrying identical disciplinary force to Section 10.51
B. Aspirational guidance encouraging high-quality practice rather than an independently sanctionable rule
C. A rule applicable exclusively to attorneys rendering formal opinions
D. A rule that overrides every other Circular 230 provision automatically

27. A practitioner's disclosure of a return position lacking substantial authority, but having a reasonable basis, generally:

A. Satisfies Section 10.34's standard for signing the return despite the weaker authority level
B. Is automatically insufficient regardless of the disclosure actually made
C. Requires no reasonable basis at all, since disclosure alone is always sufficient
D. Is relevant only for business returns, never for individual returns

28. A practitioner's firm-level responsibility under Section 10.36 generally attaches when the firm:

A. Simply employs more than a specific fixed number of practitioners
B. Operates from more than one single physical office location
C. Has been in continuous business operation for over ten years

D. Fails to establish reasonable procedures ensuring firm-wide Circular 230 compliance

29. A practitioner's obligation regarding client confidentiality generally survives:

A. Only while the engagement remains actively ongoing, ending immediately upon conclusion
B. Only if the client specifically requests continued confidentiality in writing
C. Only for a fixed period of exactly one year after conclusion
D. The formal conclusion of the underlying engagement itself

30. The overall Circular 230 regulatory scheme reflects Congress's and Treasury's judgment that:

A. Practitioner conduct standards are essential to maintaining trust in the tax administration system
B. Practitioners require no meaningful oversight whatsoever given their professional training
C. Only attorneys should be permitted to represent taxpayers before the IRS
D. Practitioner regulation is best left entirely to individual state governments

31. A practitioner's overall relationship with OPR is best characterized as:

A. Entirely one-time, ending permanently once initial enrollment is first granted
B. Subject to OPR's ongoing regulatory oversight throughout the practitioner's active practice
C. Voluntary and optional, with the practitioner free to disregard OPR entirely
D. Limited exclusively to the initial enrollment application process itself

32. A taxpayer executing Form 2848 must generally provide:

A. A notarized affidavit attesting to the taxpayer's overall good moral character
B. A certified copy of the taxpayer's own birth certificate
C. The taxpayer's own signature and identifying tax information for the covered matters
D. Written consent from every other family member of the taxpayer

33. A representative's Form 2848 authority to receive refund checks generally requires:

A. No special notation at all, since this authority is automatically presumed
B. A separate power of attorney filed exclusively with the U.S. Treasury directly
C. Specific authorization checked on the applicable line of the form itself
D. Verbal confirmation from the taxpayer given at the moment of receipt

34. A power of attorney's scope is generally defined by:

A. The specific tax matters, forms, and periods the taxpayer actually identifies on the form
B. The representative's own personal, subjective interpretation of what should be covered
C. The IRS's own unilateral determination of what the authorization should cover
D. An unwritten, informal understanding between the taxpayer and representative

35. A taxpayer's power of attorney authorization generally does not extend to:

A. The specific matters and years actually identified on the executed form
B. Communicating with the IRS regarding the specifically identified matters
C. Receiving copies of notices regarding the specifically identified matters
D. Matters and tax years not specifically identified on the executed form

36. A taxpayer's assessment statute of limitations generally begins running upon:

A. The date the taxpayer first contacts a representative about the matter
B. The filing of a return, or the original due date, whichever is later
C. The date the IRS first opens an examination file on the taxpayer
D. The date the taxpayer's prior-year return was originally filed

37. A voluntary Form 872 extension of the assessment statute generally specifies:

A. A specific agreed-upon future date to which the statute is extended
B. An indefinite, open-ended extension with no specific end date at all
C. A mandatory extension of exactly ten additional years in every case
D. No specific date, since the extension is left entirely to IRS discretion

38. A Revenue Procedure most commonly addresses:

A. A substantive legal conclusion on a specific tax question
B. How a taxpayer requests a specific type of IRS ruling or approval
C. A specific taxpayer's individual, confidential ruling request
D. A formal court decision interpreting a specific Code provision

39. A taxpayer's reliance on a formal written Chief Counsel Advice (CCA) memorandum addressed to a different taxpayer is generally:

A. Equally strong support as reliance on a properly published Revenue Ruling
B. Automatically sufficient to establish reasonable cause for any resulting penalty
C. Weak support, since a CCA is not binding precedent for taxpayers other than the one addressed
D. Binding on the IRS in any subsequent proceeding involving any other taxpayer

40. A taxpayer engaged in legitimate tax avoidance, as opposed to evasion, generally:

A. Deliberately conceals income or falsifies records to reduce reported tax liability
B. Willfully fails to file required returns to avoid detection entirely
C. Provides knowingly false statements to IRS personnel during an examination
D. Structures transactions transparently within the bounds of the law to minimize tax

41. The Taxpayer Advocate Service's Systemic Advocacy function primarily addresses:

A. Only a single specific taxpayer's individual case in complete isolation
B. Only matters already pending in active Tax Court litigation

C. Broad, recurring problems affecting multiple taxpayers rather than a single individual case
D. Only matters involving amounts exceeding $1 million in dispute

42. A Taxpayer Assistance Order may generally be requested by:

A. The taxpayer or an authorized representative acting on the taxpayer's behalf
B. Only a federal judge presiding over an entirely unrelated case
C. Only another unrelated taxpayer with no connection to the matter
D. Only a member of Congress acting entirely independently of the taxpayer

43. An Enrolled Agent's authority to represent a taxpayer before the IRS Independent Office of Appeals derives from:

A. A separate, additional certification specifically required for Appeals representation
B. The EA's unlimited practice rights under Circular 230
C. State bar admission in the taxpayer's specific state of residence
D. A specific dollar-amount threshold the disputed matter must exceed

44. A practitioner's preliminary assessment of a new matter should generally include reviewing:

A. Only the client's personal preference regarding the practitioner's specific office decor
B. Only the client's own opinion of a completely unrelated prior practitioner used
C. Only the specific day of the week the initial consultation happens to occur
D. The client's relevant prior-year filings for consistency and potential related issues

45. A conflict check should generally be documented:

A. In the practitioner's own client intake or engagement records
B. Nowhere at all, since documentation of a conflict check is unnecessary
C. Only in the prospective client's own separate personal records
D. Only if the check actually reveals a genuine conflict was present

46. A record of account transcript is particularly useful when a practitioner needs to:

A. Review only third-party reported income independent of the filed return itself
B. Review both the original return's reported figures and subsequent account activity together
C. Confirm only the taxpayer's current mailing address on file with the IRS
D. Confirm only whether a specific extension request was ever properly filed

47. The Collection Financial Standards for out-of-pocket health care costs generally function as:

A. A hard ceiling that can never be exceeded under any circumstances whatsoever
B. An amount identical for every taxpayer regardless of age or household size
C. A category eliminated entirely once a taxpayer reaches a certain income level
D. A floor amount, with actual documented higher costs also potentially allowable

48. A requesting spouse's separation of liability relief allocation generally reflects:

A. An automatic equal fifty-fifty split regardless of actual individual contribution
B. Whichever spouse had the higher combined household income that specific year
C. Each spouse's actual contribution to the specific item causing the understatement
D. Whichever spouse's name appeared first on the originally filed joint return

49. A taxpayer's Innocent Spouse Relief request generally must relate to a liability arising from:

A. A separately filed individual return with no joint liability involved at all
B. A jointly filed return creating joint and several liability
C. A business entity's own liability entirely unrelated to any personal return
D. A liability arising before the couple was ever legally married to each other

50. A practitioner assisting with an Equitable Relief request under Section 6015(f) should generally document:

A. The specific factors relevant to the multi-factor equitable analysis the IRS applies
B. Only the requesting spouse's personal wish to be free of the liability generally
C. Only the couple's original wedding date and location details
D. Only the requesting spouse's current occupation and job title

51. A practitioner's assessment of criminal exposure indicators should generally consider the pattern of the client's conduct:

A. Only during the single most recent tax year at issue
B. Only during the practitioner's own current engagement period
C. Over time, rather than any single isolated incident viewed alone
D. Only if the client has previously used a different tax preparer

52. A practitioner referring a client to criminal defense counsel should generally:

A. Sever all contact entirely, with absolutely no further coordination of any kind
B. Continue advising on criminal matters personally alongside the new counsel
C. Take over the criminal defense representation directly from the referred counsel
D. Coordinate appropriately with that counsel regarding the practitioner's continued, limited role

53. A Kovel arrangement's privilege protection generally does NOT extend to:

A. Accountant communications made for purposes unrelated to assisting the attorney's legal advice
B. Accountant communications specifically made to assist the attorney's legal advice
C. Communications occurring while the arrangement remains properly structured and active
D. Communications the attorney directs the accountant to make on the matter

54. A practitioner's early identification of criminal exposure serves primarily to:

A. Protect the practitioner's own fee arrangement regardless of client interests
B. Satisfy a purely bureaucratic administrative formality with no real substance
C. Protect the client by allowing appropriate strategy adjustments before commitments are made
D. Delay the underlying matter indefinitely with no genuine strategic purpose

55. A practitioner's case-building documentation should generally be organized to:

A. Maximize the sheer total volume of paper generated regardless of usefulness
B. Minimize the total time spent on the underlying matter regardless of quality
C. Satisfy only the practitioner's own personal filing preferences and habits
D. Allow efficient retrieval and clear presentation of supporting facts as the matter develops

56. A practitioner's assessment of a taxpayer's collection matter should generally begin with:

A. Assuming the balance the client verbally reports is necessarily accurate
B. Confirming the actual current balance owed through an official IRS transcript
C. Immediately proposing a specific resolution before verifying any underlying facts
D. Contacting the assigned revenue officer before reviewing any transcripts at all

57. A practitioner's obligation to maintain client confidentiality applies to information obtained:

A. Only after a formal, signed written engagement letter has actually been executed
B. Throughout the entire course of the representation, from initial consultation onward
C. Only during a scheduled, formal meeting occurring at the practitioner's own office
D. Only information the client specifically and explicitly labels as confidential

58. A practitioner's use of a signed engagement letter helps establish:

A. An absolute guarantee that no future dispute will ever arise between the parties

B. Automatic compliance with every applicable Circular 230 obligation
C. A clear, mutual record of the representation's agreed scope and terms
D. A binding waiver of the client's own rights to later dispute the engagement

59. A practitioner's early case assessment regarding applicable deadlines should generally include:

A. Only the assessment statute of limitations, with no other deadline considered
B. Only the specific collection statute, with no other deadline considered
C. Only whatever deadline the client happens to personally mention unprompted
D. Both the assessment statute of limitations and any applicable collection or appeal deadlines

60. A practitioner's overall case-building approach is most effective when it:

A. Integrates factual development, legal research, and client communication throughout the representation
B. Focuses exclusively on factual development with no legal research involved at all
C. Focuses exclusively on legal research with no client communication involved at all
D. Occurs as a single, isolated task completed once at the very outset

61. A taxpayer's request for Form 1127 relief should generally be accompanied by:

A. No supporting documentation whatsoever, since the request is presumed valid automatically
B. A detailed statement of assets, liabilities, and the specific hardship paying on time would cause
C. Only a brief, unsupported statement expressing general inconvenience
D. A guarantee from the taxpayer's bank regarding future available funds

62. A taxpayer's guaranteed installment agreement eligibility requires the preceding five years of returns to have been:

A. Both filed and fully paid in every single one of those preceding years
B. Filed only for the two most recent years, not the full five-year period

C. Filed, regardless of whether every prior balance was paid in full
D. Entirely irrelevant to guaranteed installment agreement eligibility generally

63. A Doubt as to Collectibility offer's Reasonable Collection Potential calculation generally excludes:

A. Assets the taxpayer needs for basic subsistence, subject to specific exemption rules
B. All of the taxpayer's assets without exception of any kind
C. The taxpayer's projected future income entirely
D. Any consideration of the taxpayer's actual current expenses

64. A taxpayer's periodic-payment offer in compromise generally requires:

A. No payments of any kind until the offer is formally accepted
B. A single lump-sum payment made in full at the time of submission
C. Payments refundable in full if the offer is ultimately rejected
D. Continued monthly payments during the IRS review period, which are non-refundable if rejected

65. A lien release generally occurs when:

A. The underlying tax liability is satisfied, becomes unenforceable, or a bond is accepted
B. The taxpayer simply requests it verbally with no further showing required
C. A single partial payment toward the balance is made by the taxpayer
D. The taxpayer changes their mailing address on file with the IRS

66. A levy on a business's accounts receivable generally reaches:

A. Only amounts the business has already collected and deposited previously
B. Only receivables specifically originating from government contracts
C. Nothing at all, since accounts receivable are categorically exempt from levy
D. Amounts owed to the business by its customers as of the levy

67. A Currently Not Collectible determination's periodic reevaluation generally examines:

A. Only whether the taxpayer has moved to a different residential address
B. Whether the taxpayer's income or expenses have materially changed since the original determination
C. Only whether the taxpayer has changed employers since the original determination
D. Only the specific calendar month in which the reevaluation happens to occur

68. A Collection Appeals Program request regarding a rejected installment agreement proposal is generally characterized by:

A. Requiring the same formal written protest process as a CDP hearing
B. No possibility of any review whatsoever of the rejection decision
C. Relative speed and informality compared to the more formal CDP process
D. Automatic reversal of the rejection regardless of the underlying merits

69. A responsible person's TFRP liability may be reduced through:

A. Payment by another responsible person at the same business toward the shared liability
B. The passage of time alone, with no payment or other action required
C. The business entity's own bankruptcy filing, regardless of any actual payment
D. A simple written statement disclaiming any responsibility for the liability

70. A practitioner evaluating TFRP responsibility should examine whether the individual had authority to:

A. Only determine the business's overall marketing strategy and branding
B. Only determine the specific software the business used for accounting
C. Determine which creditors of the business were paid when funds were limited
D. Only determine the business's office location and physical layout

71. A practitioner asserting Section 7525 privilege should be prepared to demonstrate the communication was made for the purpose of:

A. Simply scheduling a future appointment with the client
B. Obtaining or providing genuine tax advice, not merely completing a return
C. Discussing the practitioner's own general fee structure
D. Confirming receipt of documents the client had submitted

72. A taxpayer's strict substantiation requirement under Section 274(d) for a business vehicle generally requires documenting:

A. Only the vehicle's original purchase price at the time of acquisition
B. Only the vehicle's current resale or trade-in value
C. Only the make and model of the vehicle used for business purposes
D. The business purpose, date, and mileage of each trip contemporaneously

73. A practitioner reviewing a proposed adjustment's legal basis should generally verify:

A. Only that some authority, of any kind, was cited somewhere in the report
B. That the cited authority actually applies to the specific facts of the taxpayer's situation
C. Only the total number of pages the citation section happens to span
D. Only whether the citation includes a specific publication date

74. A taxpayer's 30-day letter response options generally include:

A. Only agreeing, with no other response option available at all
B. Only requesting an Appeals conference, with no other option available
C. Only immediately filing a Tax Court petition without any prior IRS step
D. Agreeing, requesting an Appeals conference, or taking no action pending a 90-day letter

75. A CP-2000 notice's proposed adjustment amount is generally calculated based on:

A. A flat, fixed percentage applied uniformly regardless of the actual discrepancy
B. The taxpayer's total combined income across every prior tax year filed
C. Applying the applicable tax rates to the specific discrepancy identified
D. An entirely random estimate with no relationship to the actual discrepancy

76. A taxpayer's failure to petition Tax Court within the applicable window following a notice of deficiency generally results in:

A. The IRS proceeding to assess the deficiency and potentially begin collection
B. Automatic, permanent forgiveness of the entire proposed deficiency
C. Automatic referral of the matter to a state court for further review
D. No consequence whatsoever, since the deadline is treated as merely advisory

77. An Appeals Officer's independent evaluation of a disputed case is intended to reflect:

A. Simple deference to whatever position the examiner originally took
B. Simple deference to whatever position the taxpayer originally requested
C. A coin-flip outcome with no substantive underlying analysis involved
D. A genuinely fresh, impartial assessment distinct from the examiner's original position

78. A taxpayer electing the small tax case procedure generally accepts:

A. A guarantee of a more favorable outcome than the regular procedure would produce
B. A trade-off of appellate review rights for a faster, less formal Tax Court process
C. An automatically higher required Tax Court filing fee than the regular procedure
D. A requirement to be represented specifically by a licensed attorney

79. A formal written protest's statement of facts section should generally:

A. Present the relevant facts accurately and connect them to the taxpayer's specific position
B. Include only the taxpayer's personal opinion with no factual detail at all
C. Omit any facts unfavorable to the taxpayer's position entirely
D. Simply restate the examiner's own position without further elaboration

80. A Post-Appeals Mediation session is generally facilitated by:

A. A binding arbitrator empowered to impose a final decision on the parties
B. The original examining agent who proposed the disputed adjustment
C. A neutral mediator trained to help the parties reach their own resolution
D. A federal district court judge presiding over the mediation session

81. A taxpayer's Appeals conference presentation should generally address:

A. Only the single issue the taxpayer personally considers most important
B. Each contested issue individually, with supporting documentation and applicable authority
C. Only a general summary with no issue-specific detail provided at all
D. Only matters the Appeals Officer specifically raises unprompted first

82. A taxpayer's Tax Court petition must generally identify:

A. Only the taxpayer's personal, general opinion of the IRS as an institution
B. Only the total number of years the taxpayer has been filing returns
C. Only the specific software the taxpayer's preparer originally used
D. The specific adjustments being contested and the taxpayer's basis for disputing them

83. A taxpayer's decision to settle at Appeals rather than proceed to Tax Court should generally weigh:

A. Only the specific courthouse location where the Tax Court case would be heard
B. Only the taxpayer's personal preference for litigation as a general concept
C. The certainty of settlement against the cost, time, and risk of continued litigation

D. Only the specific judge who might ultimately be assigned to the case

84. An Appeals settlement's closing agreement generally provides which benefit to the taxpayer?

A. Finality and certainty regarding the specific settled issues, ending further dispute
B. An automatic, permanent exemption from all future tax obligations of any kind
C. A guaranteed refund of all amounts the taxpayer previously paid
D. Automatic forgiveness of any unrelated, separate tax liability the taxpayer owes

85. A preparer's use of tax preparation software does not relieve the preparer of the obligation to:

A. Purchase the specific software version marketed as the most expensive available
B. Personally memorize every current-year tax rate table without reference materials
C. Verify that the return, as completed, accurately reflects the client's actual situation
D. Complete the return entirely without using any calculation assistance whatsoever

86. A preparer discovering a duplicate entry after a return has already been filed should generally:

A. Take no action at all, since the return has already been filed
B. Advise the client and consider whether an amended return is appropriate to correct it
C. Wait for the IRS to independently discover and flag the error first
D. Simply hope the error goes unnoticed by the client and the IRS both

87. A preparer's Section 6107(b) list, if chosen instead of retaining full copies, must generally include information sufficient to:

A. Identify each specific return prepared for later verification purposes
B. Calculate the preparer's overall total annual tax preparation fee revenue
C. Track the preparer's own personal continuing education hours completed
D. Summarize the preparer's general marketing and advertising expenditures

88. A preparer's obligation to maintain data security generally applies to:

A. Only information stored in an electronic, digital format specifically
B. Only information stored in physical, paper-based format specifically
C. Only information the client specifically labels as sensitive in writing
D. Client information regardless of whether it is stored electronically or on paper

89. An IRS e-file Application applicant that is subsequently denied generally has the option to:

A. No further option whatsoever, since denial is treated as absolutely final
B. Immediately begin e-filing anyway despite the denial having been issued
C. Address the specific deficiencies identified and reapply through the proper process
D. Automatically receive approval after a fixed thirty-day waiting period

90. A firm's e-file Provider status is generally distinct from the underlying tax credentials of its individual staff in that Provider status:

A. Is granted through a separate IRS e-file application process, not through Circular 230 enrollment
B. Is automatically granted the moment any staff member becomes an Enrolled Agent
C. Requires no application process of any kind whatsoever
D. Is identical in every respect to individual Circular 230 practitioner status

91. A Transmitter's obligation regarding data transmitted to the IRS generally includes:

A. Personally reviewing every taxpayer's substantive tax position for accuracy
B. Maintaining the security and integrity of the data during the actual transmission process
C. Providing tax advice directly to the taxpayers whose returns are transmitted
D. Guaranteeing the taxpayer will not face any future IRS examination

92. A preparer's specified tax return preparer status for a given calendar year is generally determined:

A. Retroactively, based solely on the exact final count after the year has fully ended
B. Based on the preparer's status during an entirely different, unrelated prior year
C. By a formal vote among the preparer's own firm partners or colleagues
D. Based on the preparer's reasonable expectation at the relevant point during that specific year

93. A preparer's Form 8948 documentation supports the preparer's position that:

A. The preparer generally dislikes electronic filing as a matter of personal preference
B. A specific recognized exception to the e-file mandate genuinely applies to that particular return
C. The taxpayer's overall return is entirely free of any error whatsoever
D. The preparer's firm has never previously e-filed any return at all

94. A preparer's Form 8944 hardship waiver approval generally covers:

A. Every return the preparer will ever prepare for the remainder of their entire career
B. Only a single, specifically named individual client's returns exclusively
C. Returns falling within the specific scope and period the approval actually specifies
D. Returns prepared by any other, entirely unrelated preparer at a different firm

95. A taxpayer's Form 8879 signature using the Practitioner PIN method generally requires:

A. The taxpayer to personally travel to an IRS office to sign in person
B. A notary public to be physically present at the signing
C. The taxpayer to mail a paper copy of the signature to the IRS separately
D. The ERO to enter the taxpayer's PIN based on proper authorization from the taxpayer

96. An ERO retaining Form 8879 beyond the required three-year period is generally:

A. Not prohibited, though the specific minimum required retention period is three years

B. A violation of Circular 230's recordkeeping standards for retaining records too long
C. Required under all circumstances regardless of the specific retention period
D. Irrelevant, since no minimum retention period actually applies to this form

97. A preparer uncertain whether a specific document requires Form 8453 transmittal should generally:

A. Simply guess based on the preparer's own general intuition about the document
B. Consult the current Form 8453 instructions for the applicable tax year
C. Assume no document ever requires this specific separate transmittal
D. Assume every single document always requires this specific separate transmittal

98. A rejected return's perfection period generally does NOT apply where:

A. The original transmission occurred before the applicable filing deadline
B. The rejection reason involves a straightforward, correctable data entry error
C. The correction and retransmission both occur promptly and appropriately
D. The original transmission itself occurred after the applicable filing deadline had already passed

99. A preparer's response to a suspected identity theft rejection should generally include advising the client regarding:

A. The IRS's identity theft affidavit process and consideration of an Identity Protection PIN
B. Simply resubmitting the identical return immediately with absolutely no changes made
C. Changing tax preparation software providers entirely for the following tax year
D. Filing a complaint exclusively with the client's own local police department only

100. An e-file Provider's overall obligations regarding EFIN security exist to ultimately protect:

A. Only the Provider's own narrow, immediate short-term business interests exclusively
B. Only a single specific taxpayer's own individual, isolated personal interests
C. The integrity of the broader e-file system that taxpayers and preparers alike rely upon

D. Only the interests of the Provider's direct, immediate business competitors

Practice Exam 6: Answer Key and Explanations

1. D — A—EA status is publicly verifiable through the IRS's own directory of federal tax return preparers with credentials or select qualifications, an official public resource. It is not strictly confidential with no verification mechanism, is not verified only through a private commercial service, and is not properly verified through informal personal social media.

2. B — B—Only the EA holds unlimited representation rights extending across all IRS administrative matters and forums, the key distinction from a general compensated PTIN holder here at all. Both may prepare compensated returns, both are required to hold a PTIN, and both remain subject to Circular 230 oversight to varying degrees regardless.

3. A — A—Failing to complete required continuing education by the deadline generally results in the enrollment lapsing into inactive status until the practitioner completes the outstanding requirements. It does not result in immediate permanent disbarment, is not consequence-free since education is a genuine requirement, and does not convert the credential into something else.

4. C — C—The suitability check primarily evaluates whether the applicant's own actual tax compliance history and relevant background support granting enrollment as a trusted, reliable practitioner. It does not evaluate college GPA, does not confirm software preference, and does not determine the applicant's specific geographic office location as part of this evaluation.

5. C — C—Due diligence requires a reasonable inquiry specifically where the claimed relationship or residency for a dependent appears genuinely questionable given known facts, not blanket verification. Independent government verification of every claim, automatic disallowance above an arbitrary number, and no inquiry at all under any circumstances all misstate this reasonable-inquiry standard.

6. B — B—Advising a client to structure transactions specifically to evade a currency reporting requirement is disreputable conduct, since such structuring is itself independently unlawful regardless of underlying income. This is not legitimate avoidance, is not irrelevant to Circular 230, and is not excused merely because the underlying income is otherwise fully reported.

7. A — A—A contingent fee is generally permitted for a claim solely for statutory interest or penalty abatement, a recognized exception distinct from original return preparation generally. Preparing an original individual or business return with no pending examination, and a proactive amended return with no notice, all fall within the general prohibition instead.

8. D — D—A fee genuinely disproportionate to the value of services rendered, given the actual circumstances, may be evaluated as potentially unconscionable under Section 10.27's fee standards. Written client agreement alone does not automatically cure disproportionality, this matter is not outside Circular 230's scope, and a competitor complaint is not required to trigger review.

9. D — D—An advertisement listing years of experience must accurately reflect the practitioner's genuine actual relevant experience, consistent with the general prohibition on false or misleading claims. Rounding up for marketing simplicity is misleading, the count is not limited only to attorney years, and prior IRS employment years are not excluded from an accurate count.

10. A — A—The core Section 10.29 concern is squarely whether the practitioner can genuinely provide competent, diligent representation to each client despite the identified conflict of interest actually present. Personal likability, shared geographic location, and a shared surname are all irrelevant to this substantive competent-representation inquiry the conflict analysis actually requires here.

11. C — C—Written consent confirmation should generally be retained as part of the practitioner's client file, consistent with sound general recordkeeping practices supporting the engagement. It should not go unretained anywhere, should not be kept only in the client's own separate records, and should not be discarded after the initial consultation alone.

12. B — B—Effective Section 10.36 procedures should generally include a genuine, documented mechanism for identifying and correcting recurring compliance issues discovered among firm personnel over time and cases. Tracking attendance at social gatherings, managing parking assignments, and coordinating holiday decorations are all unrelated administrative matters outside the substance of this compliance obligation.

13. D — D—Section 10.51(a)(4) addresses false information given to the Department of the Treasury, which broadly encompasses the IRS and its related components, not unrelated third parties generally. A private credit agency, the practitioner's own insurance carrier, and a state licensing board are not the entity this specific federal provision actually addresses.

14. B — B—Discovering a materially false prior representation should prompt prompt disclosure to the client and careful consideration of whether continued involvement remains appropriate going forward. Continuing unchanged with no reassessment, disclosing directly to the IRS before informing the client, and taking no action at all are all inappropriate responses to this discovery.

15. A — A—Censure does not bar the practitioner from continuing to practice before the IRS, the key feature distinguishing it from the more severe suspension and disbarment sanctions. It does appear as a formal public disciplinary action, does reflect a genuine violation finding, and can carry real reputational consequences despite not barring practice.

16. C — C—A suspended practitioner is barred from practicing before the IRS specifically for the defined suspension period, after which practice generally resumes automatically without further showing. The practitioner is not fully authorized to continue as before, is not permanently and irrevocably barred, and is not converted into a different unrelated credential during suspension.

17. B — B—A Section 10.50 monetary penalty is generally payable to the United States Treasury, reflecting its nature as a federal regulatory sanction rather than client compensation. It is not payable to the affected client directly, is not payable to a private charity, and is not payable to a separate state licensing board.

18. D — D—A practitioner seeking reinstatement bears the burden of showing genuine present fitness to practice and that reinstatement would not harm the public interest overall. Reinstatement is not automatic, the waiting period alone is insufficient, and paying prior penalties alone does not itself establish the required fitness showing needed for approval.

19. A — A—Section 10.23 applies most directly to matters properly pending before the IRS that specifically involve the practitioner's own represented client and their specific tax matters. The practitioner's own household errands, personal vacation scheduling, and matters with no professional involvement at all are outside this specific prompt-disposition obligation's actual defined scope.

20. C — C—This obligation extends across any medium the practitioner uses to communicate with the IRS, including written correspondence, electronic communication, and oral statements alike. It is not limited to only formal notarized documents, is not limited to only scheduled interviews, and does not depend on the IRS specifically requesting written form.

21. D — D—Section 10.51(a)(6) addresses a genuine pattern of willful failures to file the practitioner's own required returns, not a single isolated, honest late-filing oversight made once. It is not limited only to employment tax returns specifically, and it is not limited only to failures occurring during the practitioner's first year of enrollment.

22. B — B—The record-return obligation generally applies regardless of any outstanding fee owed, subject to applicable state law that may permit retaining certain records under a lien. It is not conditioned on full advance payment, does not require a notarized request format, and does not disappear entirely once the underlying engagement concludes.

23. C — C—An opinion reaching a favorable conclusion without adequately addressing contrary authority may fall short of the balanced analytical standards Circular 230 imposes on written opinions. It does not fully satisfy applicable standards simply by being one-sided, is not evaluated under an entirely separate body of law, and client satisfaction does not itself cure the deficiency.

24. A — A—Competence is evaluated relative to the specific complexity and demands of the particular matter actually undertaken, a matter-specific rather than universal standard. It is not a single identical standard regardless of complexity, is not based on the practitioner's own subjective self-assessment, and is not based on the client's own subjective assessment.

25. C — C—Declining to represent a frivolous position is consistent with, and supported by, the practitioner's Section 10.34 obligations regarding return positions and signing standards. There is no implied duty to represent any client regardless of position merit, this scenario is directly relevant to Section 10.34, and no client consent is required to decline.

26. B — B—Section 10.33's client communication guidance is aspirational, encouraging genuinely high-quality practice, rather than an independently sanctionable rule carrying Section 10.51's full disciplinary force. It is not identical in enforceable weight to Section 10.51, is not limited to attorneys rendering opinions, and does not override other Circular 230 provisions in effect.

27. A — A—Proper disclosure of a position with only reasonable basis, rather than substantial authority, satisfies Section 10.34's standard for signing despite the comparatively weaker authority level involved. It is not automatically insufficient despite the disclosure, does still require a genuine reasonable basis underlying it, and applies to both individual and business returns.

28. D — D—Firm-level responsibility attaches when the firm genuinely fails to establish reasonable procedures ensuring firm-wide Circular 230 compliance among its personnel, not based on size or tenure. Employing more than a specific number of practitioners, operating multiple offices, and a decade of operation are not themselves the triggers for this obligation.

29. D — D—Confidentiality obligations generally survive the formal conclusion of the engagement itself, continuing to protect client information even well after the representation has fully ended. They do not end immediately upon conclusion, do not require a specific written client request to continue, and are not limited to a fixed one-year post-conclusion period.

30. A — A—The regulatory scheme reflects a judgment that practitioner conduct standards are essential to maintaining public trust in the broader tax administration system generally. It does not reflect a judgment that practitioners need no oversight, does not limit representation to attorneys alone, and does not leave regulation entirely to individual states.

31. B — B—A practitioner's relationship with OPR involves ongoing regulatory oversight throughout the practitioner's entire active practice career, not a one-time interaction limited to initial enrollment alone. It is not entirely one-time ending at enrollment, is not voluntary or optional to disregard, and is not limited exclusively to the initial application process.

32. C — C—A taxpayer executing Form 2848 must provide their own signature along with identifying tax information for the specific matters actually being covered by the authorization itself. A notarized character affidavit, a certified birth certificate, and consent from other family members are not required elements of a properly executed power of attorney.

33. C — C—Authority to receive refund checks requires specific authorization checked on the applicable line of Form 2848, since this heightened authority is not presumed by default. It is not automatically presumed without notation, does not require a separate filing with Treasury directly, and is not satisfied merely by verbal confirmation at receipt.

34. A — A—The scope of a power of attorney is defined by the specific tax matters, forms, and periods the taxpayer actually identifies on the form itself, not informal understandings. It is not defined by the representative's own subjective interpretation, is not unilaterally determined by the IRS, and is not defined by an unwritten informal understanding.

35. D — C—A power of attorney does not extend to matters and tax years not specifically identified on the executed form, since its scope is limited to what is actually listed. It does extend to the specifically identified matters and years, to communicating about them, and to receiving notices regarding those specifically identified matters.

36. B — B—The assessment statute generally begins running upon the filing of the return or the original due date, whichever occurs later, establishing the actual starting point. It does not begin upon first contacting a representative, does not begin upon the IRS opening an examination file, and is unrelated to a prior year's separate filing date.

37. A — A—Form 872 specifies a specific agreed-upon future date to which the assessment statute is extended, giving both parties clarity regarding the new applicable deadline. It is not an indefinite open-ended extension, does not mandate exactly ten additional years, and does specify a concrete date rather than leaving it to pure discretion.

38. B — B—A Revenue Procedure most commonly addresses the administrative process for how a taxpayer requests a specific type of IRS ruling or approval generally. A substantive legal conclusion describes a Revenue Ruling instead, a confidential individual request describes a PLR, and a court decision is an entirely separate category of authority.

39. C — C—Relying on a CCA addressed to a different taxpayer is weak support, since a CCA is not binding precedent for taxpayers other than the specific one it addresses. It is not equally strong as a published Revenue Ruling, is not automatically sufficient for reasonable cause, and does not bind the IRS in other unrelated taxpayers' proceedings.

40. D — D—Legitimate avoidance involves transparently structuring transactions within the actual bounds of the law to minimize tax owed, without concealment or deception involved at all. Deliberately concealing income, willfully failing to file to avoid detection, and providing knowingly false statements to the IRS are all hallmarks of evasion, not legitimate avoidance.

41. C — C—Systemic Advocacy addresses broad, recurring problems affecting multiple taxpayers across the entire tax system, distinct from TAS's separate individual case assistance function generally. It is not limited to a single individual case in isolation, is not limited to matters already in Tax Court, and carries no minimum dollar threshold requirement.

42. A — A—A TAO may generally be requested by the taxpayer directly or by an authorized representative acting on the taxpayer's behalf, the standard recognized requesting parties. An unrelated federal judge, an unrelated taxpayer with no connection, and a member of Congress acting independently of the taxpayer are not themselves the proper requesting parties.

43. B — B—An EA's authority to represent a taxpayer at Appeals derives directly from the EA's unlimited practice rights under Circular 230, with no separate Appeals-specific certification required. It does not require a separate additional certification, does not require state bar admission, and carries no minimum dollar threshold limiting when this authority applies.

44. D — D—A proper preliminary assessment includes reviewing the client's relevant prior-year filings for consistency and to identify any potentially related issues bearing on the current matter. Office decor preference, opinions of an unrelated prior practitioner, and the specific day of the consultation are not themselves the substantive factors this assessment should focus on.

45. A — A—A conflict check should generally be documented in the practitioner's own client intake or engagement records, creating a reliable record regardless of the check's actual outcome. It should not go undocumented entirely, should not be kept only in the client's own separate records, and should be documented whether or not a conflict was found.

46. B — B—A record of account transcript is particularly useful when a practitioner needs both the original return's reported figures and subsequent account activity in a single combined document. Reviewing only third-party income, confirming only a mailing address, or confirming only an extension filing are better served by other, different transcript types.

47. D — D—Out-of-pocket health care standards generally function as a floor amount, with actual documented higher costs potentially allowable beyond the standard where properly substantiated by the taxpayer. This is not a hard, unexceedable ceiling, is not identical regardless of age or household size, and does not disappear once income reaches a certain level.

48. C — C—Separation of liability relief allocates the understatement based on each spouse's actual contribution to the specific item causing it, not an automatic equal split. It is not automatically split fifty-fifty regardless of contribution, is not based on which spouse had higher income, and is not based on the order names appeared on the return.

49. B — B—Innocent Spouse Relief specifically addresses liability arising from a jointly filed return creating joint and several liability between the two spouses involved. It does not address a separately filed individual return with no joint liability, an unrelated business entity liability, or a liability arising entirely before the couple was married.

50. A — A—Proper documentation for an Equitable Relief request focuses on the specific factors relevant to the multi-factor equitable analysis the IRS applies to this particular category. A general personal wish to be free of the liability, wedding date details, and current occupation alone are not themselves the substantive factors this documentation should target.

51. C — C—A sound criminal exposure assessment considers the client's pattern of conduct over time, rather than fixating on any single isolated incident viewed in complete isolation. It should not be limited only to the most recent year, only to the current engagement period, or contingent on whether a different preparer was previously used.

52. D — D—A practitioner should generally coordinate appropriately with criminal defense counsel regarding the practitioner's own continued, limited role in the broader underlying matter going forward. Severing all contact entirely, continuing to personally advise on criminal matters, and taking over the criminal defense directly are all inappropriate responses to a proper referral.

53. A — A—Kovel privilege does not extend to accountant communications made for purposes unrelated to assisting the attorney's actual legal advice, the key limiting boundary of this protection. It does extend to communications made to assist legal advice, to communications made while properly structured, and to communications the attorney directs the accountant to make.

54. C — C—Early identification primarily protects the client by allowing appropriate strategy adjustments, including referral to criminal counsel, before problematic commitments are made in the matter. It is not primarily about protecting the practitioner's own fee, is not a mere bureaucratic formality, and is not about indefinite delay without genuine strategic purpose.

55. D — D—Case-building documentation should be organized to allow efficient retrieval and clear presentation of supporting facts as the representation genuinely develops over time. It should not aim to maximize sheer paper volume regardless of usefulness, should not sacrifice quality to minimize time spent, and should serve the matter's needs, not just personal habits.

56. B — B—A sound collection matter assessment begins with confirming the actual current balance owed through an official IRS transcript, rather than simply assuming a client's verbal report is accurate. Immediately proposing a resolution before verification, and contacting the revenue officer before reviewing transcripts, both risk building a case on an unverified foundation.

57. B — B—Confidentiality obligations apply to information obtained throughout the entire course of the representation, starting from the very initial consultation rather than only after formal engagement. They are not limited to only after a signed letter, are not limited to only formal office meetings, and are not limited to information the client specifically labels confidential.

58. C — C—A signed engagement letter helps establish a clear, mutual record of the representation's agreed scope and terms, reducing the likelihood of later misunderstanding. It does not guarantee no future dispute will ever arise, does not automatically satisfy every separate Circular 230 obligation, and does not itself waive the client's own rights.

59. D — D—A thorough deadline assessment includes both the assessment statute of limitations and any applicable collection or appeal deadlines relevant to the specific matter at hand. Considering only the assessment statute, only the collection statute, or only whatever the client happens to mention unprompted all risk missing a genuinely relevant deadline.

60. A — A—The most effective case-building approach genuinely integrates factual development, legal research, and ongoing client communication together consistently throughout the full course of the entire representation. Focusing exclusively on only facts, only legal research, or treating case-building as a single isolated upfront task all fail to reflect this genuinely integrated approach.

61. B — B—A proper Form 1127 request includes a detailed statement of assets, liabilities, and the specific hardship paying on time would genuinely cause the taxpayer. It is not presumed valid with no documentation, is not satisfied by a brief unsupported general inconvenience statement, and does not require a bank guarantee of future funds.

62. C — C—Guaranteed agreement eligibility requires the preceding five years of returns to have been filed, though it does not additionally require every prior balance to have been fully paid. It is not limited to only the two most recent years, and prior filing compliance is genuinely relevant, not irrelevant, to this specific eligibility determination.

63. A — A—The RCP calculation generally excludes assets the taxpayer needs for basic subsistence, subject to the specific exemption rules built into the applicable Collection Financial Standards. It does not exclude all assets without exception, does include projected future income, and does consider the taxpayer's actual current expenses in the overall analysis.

64. D — D—A periodic-payment offer requires continued monthly payments during the IRS's review period, and those payments remain non-refundable even if the offer is eventually rejected outright. It is not payment-free until acceptance, does not require a single lump-sum payment, and the payments already made are not refundable if the offer is rejected.

65. A — A—A lien release generally occurs when the underlying liability is satisfied in full, becomes legally unenforceable, or the IRS accepts a bond in place of the lien. A mere verbal request, a single partial payment, and simply changing a mailing address do not themselves trigger a release of the underlying lien.

66. D — D—A levy on accounts receivable reaches amounts customers actually owe the business as of the levy, a distinct category from funds already collected and deposited. It is not limited to only already-collected and deposited amounts, is not limited only to government-contract receivables, and accounts receivable are not categorically exempt from levy.

67. B — B—Periodic CNC reevaluation examines whether the taxpayer's actual income or expenses have materially changed since the original determination was first made, the substantively relevant inquiry. Simply moving addresses, simply changing employers, and the specific calendar month of reevaluation are not themselves the substantive factors this reevaluation actually focuses on here.

68. C — C—A CAP request regarding a rejected installment agreement is characterized by relative speed and informality compared to the more formal CDP hearing process available for other actions. It does not require the same formal protest process CDP involves, does allow genuine review of the rejection, and does not automatically reverse the decision.

69. A — A—A responsible person's TFRP liability may be reduced through payment made by another responsible person at the same business toward the same shared underlying liability. Mere passage of time alone, the business's own bankruptcy filing without actual payment, and a simple disclaiming statement do not themselves reduce the personal liability.

70. C — C—TFRP responsibility hinges on whether the individual had genuine authority to determine which creditors were paid when the business's available funds were genuinely limited. Authority over marketing strategy, accounting software choice, or office layout is not itself the relevant inquiry this specific responsibility analysis actually requires under the applicable rules.

71. B — B—Asserting Section 7525 privilege requires actually demonstrating the communication was genuinely made for obtaining or providing tax advice, not for merely completing a return or logistics. Scheduling appointments, discussing general fee structure, and confirming document receipt are all administrative matters, not genuine tax advice communications this specific privilege actually protects.

72. D — D—Strict substantiation for a business vehicle requires contemporaneously documenting the business purpose, date, and specific mileage of each individual trip taken, not merely vehicle-level details. The purchase price, current resale value, and simply the make and model do not themselves satisfy this specific trip-level contemporaneous documentation requirement under Section 274(d).

73. B — B—A proper review verifies that the cited authority actually applies to the specific facts of the taxpayer's own situation, not merely that some authority was cited generically. Simply confirming some authority exists, counting citation section pages, and checking only for a publication date do not themselves constitute this substantive verification.

74. D — D—The 30-day letter response options generally include agreeing, requesting an Appeals conference, or taking no action, which advances the matter toward a 90-day letter. Agreement is not the only available option, an Appeals request is not the only available option, and an immediate Tax Court petition is not available at this earlier stage.

75. C — C—The CP-2000 proposed amount is calculated by applying the applicable tax rates to the specific discrepancy actually identified between reported and third-party reported amounts. It is not a flat fixed percentage regardless of the actual discrepancy, is not based on total income across all prior years, and is not a random unrelated estimate.

76. A — A—Missing the Tax Court petition window generally allows the IRS to proceed with assessing the deficiency and potentially beginning collection efforts against the taxpayer. It does not result in automatic permanent forgiveness, does not trigger automatic state court referral, and the deadline is genuinely jurisdictional, not merely advisory in nature.

77. D — D—Appeals' evaluation is intended to reflect a genuinely fresh, impartial assessment distinct from simply deferring to either the examiner's original position or the taxpayer's own request. It is not mere deference to the examiner, is not mere deference to the taxpayer, and is not a random outcome lacking substantive analysis.

78. B — B—Electing the small tax case procedure involves accepting a trade-off of future appellate review rights in exchange for a faster, less formal overall process. It does not guarantee a more favorable outcome, does not carry a higher filing fee than the regular procedure, and does not require representation specifically by a licensed attorney.

79. A — A—The statement of facts should accurately present the relevant facts and connect them clearly to the taxpayer's specific position on each contested issue in the protest. It should not consist only of personal opinion with no factual detail, should not omit unfavorable facts entirely, and should not simply restate the examiner's own position.

80. C — C—A Post-Appeals Mediation session is facilitated by a neutral, trained mediator who helps the parties work toward reaching their own mutually agreed resolution. It is not facilitated by a binding arbitrator empowered to impose a decision, is not facilitated by the original examining agent, and is not presided over by a federal judge.

81. B — B—An effective Appeals presentation addresses each contested issue individually, with supporting documentation and applicable legal authority tailored to that specific issue. Addressing only the taxpayer's personally favored issue, providing only a vague general summary, and waiting only for the Officer to raise matters unprompted all undersell the taxpayer's actual case.

82. D — D—A proper Tax Court petition must identify the specific adjustments actually being contested and the taxpayer's substantive basis for disputing each one raised. A general personal opinion of the IRS, the number of years filing returns, and the preparer's software choice are not themselves the required substantive content of a petition.

83. C — C—This decision should weigh the relative certainty a settlement provides against the genuine cost, time, and risk associated with continuing on toward full litigation. The courthouse location, a general personal preference for litigation, and the specific judge potentially assigned are not themselves the substantive factors this decision should turn on.

84. A — A—A closing agreement provides the taxpayer genuine finality and certainty regarding the specific settled issues, ending further dispute over those particular matters. It does not provide a permanent exemption from all future tax obligations, does not guarantee a refund of prior payments, and does not forgive an unrelated separate liability.

85. C — C—Software reliance never fully relieves the preparer of verifying the completed return accurately reflects the client's actual real-world situation, the core professional obligation involved. It does not require purchasing the most expensive software version, does not require memorizing rate tables without reference, and does not prohibit using calculation assistance generally.

86. B — B—Discovering a duplicate entry after filing should prompt advising the client and considering whether an amended return is appropriate to correct the identified error. Taking no action simply because filing already occurred, waiting for the IRS to discover it, and hoping it goes unnoticed are all inappropriate responses to a known error.

87. A — A—The Section 6107(b) list must include information genuinely sufficient to identify each specific return prepared, supporting later verification of the preparer's actual overall compliance. It is not meant to calculate total fee revenue, is not meant to track continuing education hours, and is not meant to summarize marketing expenditures generally.

88. D — D—Data security obligations apply broadly to client information regardless of whether it is stored electronically or in paper form, covering both formats equally. They are not limited only to electronic information, are not limited only to paper information, and are not limited only to information the client happens to specifically label sensitive.

89. C — C—A denied applicant generally has the option to address the specific deficiencies the IRS identified and reapply through the proper application process at a later time. Denial is not treated as absolutely final with no recourse, the applicant cannot simply begin e-filing despite denial, and there is no automatic thirty-day approval.

90. A — A—Provider status is obtained through a separate IRS e-file application process, distinct from the Circular 230 enrollment process individual practitioners undergo for their own credentials. It is not automatically granted merely because a staff member becomes an EA, does require a genuine application process, and is not identical to individual practitioner status.

91. B — B—A Transmitter's obligations generally include maintaining the security and integrity of the data during the actual data transmission process itself, a genuinely data-focused technical responsibility. A Transmitter does not personally review substantive tax positions, does not provide tax advice directly to taxpayers, and cannot guarantee freedom from any future examination.

92. D — D—Status is generally determined based on the preparer's reasonable expectation of covered return volume at the relevant point during that specific calendar year. It is not determined purely retroactively based on the exact final count, is not based on an unrelated prior year, and is not determined by an internal firm vote.

93. B — B—Form 8948 documentation supports the position that a specific recognized exception to the e-file mandate genuinely applies to that particular paper-filed return in question. It does not document the preparer's general personal dislike of e-filing, does not certify the return is error-free, and does not document the firm's e-filing history generally.

94. C — C—A Form 8944 approval covers returns falling within the specific scope and period the actual approval specifies, not an unlimited career-long or single-client-only scope. It does not cover every return for the preparer's entire career, is not limited to only one named client, and does not cover an unrelated preparer at a different firm.

95. D — D—The Practitioner PIN method allows the ERO to enter the taxpayer's PIN based on proper authorization the taxpayer has given, without requiring an in-person IRS visit. It does not require the taxpayer to travel to an IRS office, does not require a notary present, and does not require separately mailing a paper signature.

96. A — A—Retaining Form 8879 beyond the three-year minimum is generally not prohibited, since three years represents the required floor rather than a strict retention ceiling. It is not itself a violation for retaining too long, retention beyond three years is not separately mandated, and a genuine minimum retention period clearly does apply.

97. B — B—A preparer genuinely uncertain about this should consult the current Form 8453 instructions for the applicable tax year, since the specific list can change periodically. Guessing based on intuition, assuming nothing ever requires transmittal, and assuming everything always requires it are all inappropriate substitutes for actually checking the current guidance.

98. D — D—The perfection period generally does not apply where the original transmission itself occurred after the filing deadline had already passed, since there was no timely original filing to preserve. It does apply where the original transmission was timely, where the rejection involves a correctable error, and where correction and retransmission occur promptly.

99. A — A—A proper response advises the client on the IRS's own identity theft affidavit process and the potential value of obtaining an Identity Protection PIN going forward. Simply resubmitting the identical return unchanged, switching software providers, and filing only a local police complaint alone all fail to address the underlying IRS-specific concern.

100. C — A—EFIN security obligations ultimately exist to protect the integrity of the broader e-file system that both taxpayers and preparers alike genuinely rely upon daily. This is not solely about narrow short-term business interests, is not limited to a single isolated taxpayer's interests, and is not about protecting competitors' interests specifically.