PRACTICE EXAM 7: ENROLLED AGENT PART 3 SIMULATION (100 QUESTIONS)

This practice exam contains 100 questions covering Practices and Procedures, Representation before the IRS, Specific Areas of Representation, and Filing Process. The actual Special Enrollment Examination Part 3 allows 3.5 hours and requires a scaled score of 500 (on a 200-800 scale) to pass. Select the single best answer for each question.

1. A practitioner's enrollment card issued by the IRS generally serves as:

A. A separate, additional license required beyond the enrollment itself
B. Proof of the practitioner's specific continuing education hours completed to date
C. A document required to be renewed on an entirely separate annual cycle
D. Evidence of the practitioner's current active status as an Enrolled Agent

2. A practitioner's status as "inactive" following a lapsed renewal generally means the practitioner:

A. May continue practicing exactly as before with no meaningful change at all
B. May not practice before the IRS until the enrollment is properly reactivated
C. Has been permanently and irrevocably disbarred with no path back
D. Has automatically been converted into an unenrolled preparer status instead

3. A practitioner's initial enrollment application generally requires disclosure of:

A. Relevant prior tax compliance history and any criminal background
B. The applicant's specific religious affiliation or personal beliefs
C. The applicant's specific political party affiliation or voting history
D. The applicant's specific marital status or family composition

4. OPR's jurisdiction over practitioner discipline generally extends to conduct occurring:

A. Only during the specific calendar year in which a complaint happens to be filed
B. Only after the practitioner has already voluntarily surrendered their enrollment
C. Both before and during the period of the practitioner's active enrollment, where relevant
D. Only conduct that occurred within the practitioner's own home state exclusively

5. A practitioner's obligation to exercise due diligence when advising a client on a tax shelter transaction is generally:

A. Identical to the obligation applicable to an ordinary, routine business deduction
B. Nonexistent, since tax shelters fall entirely outside Circular 230's coverage
C. Heightened, given the documented history of abuse associated with certain shelter transactions
D. Relevant only if the shelter transaction is later formally listed by the IRS

6. A practitioner's advice regarding a position with no reasonable basis and no disclosure is generally:

A. Permitted, provided the client is the one who insists on taking the position
B. A violation of the Section 10.34 return position standards
C. Permitted, provided the position results in a smaller overall tax liability
D. Relevant only if the IRS later happens to actually examine the specific return

7. A practitioner's fee arrangement that varies based on the complexity of the underlying matter is generally:

A. Permitted, provided the fee remains reasonable given the actual services rendered
B. Prohibited entirely, since fees must be strictly identical across all matters handled
C. Permitted only if disclosed to the IRS in advance of the engagement
D. Permitted only for matters involving a licensed attorney as co-counsel

8. A practitioner's advertisement that omits a material limitation on the services actually offered may constitute:

A. Acceptable practice, since omission is treated differently from an affirmative false statement
B. A matter entirely outside Circular 230's regulatory scope of coverage
C. Relevant only if a specific competitor formally files a complaint about it
D. A misleading advertisement in violation of Circular 230's advertising standards

9. A practitioner's representation of a business and its sole owner simultaneously generally requires evaluating:

A. Only whether the business happens to be profitable in the current fiscal year
B. Whether the business's and the owner's interests could genuinely diverge in the specific matter
C. Only whether the owner personally likes the practitioner's overall communication style
D. Only the specific number of employees the business currently has on payroll

10. A practitioner's written consent documentation for a conflict of interest should generally specify:

A. Only the practitioner's personal signature with no further substantive content required
B. Only the total dollar amount of the practitioner's fee for the engagement
C. Only a general, undated statement that some unspecified conflict may exist
D. The date consent was given and the specific scope of the conflict disclosed

11. A firm's Section 10.36 compliance procedures are most effective when they include:

A. A clear process for identifying, reporting, and correcting compliance concerns internally
B. A strict policy of never discussing compliance matters among firm personnel
C. Delegating all compliance responsibility entirely to outside, unrelated consultants
D. No documented process at all, relying purely on informal verbal understanding

12. A practitioner's Section 10.51(a)(4) violation for providing false information requires that the information be:

A. Provided exclusively in a formal, notarized written document
B. Provided directly to the specific IRS Commissioner personally
C. Material to the matter at hand, not merely a trivial or inconsequential detail
D. Related exclusively to a matter already pending in active litigation

13. A practitioner's conviction for a crime unrelated to tax matters, such as an unrelated traffic offense, generally:

A. Automatically triggers immediate disbarment regardless of the offense's actual nature
B. Is entirely irrelevant to any Circular 230 disciplinary consideration whatsoever
C. Requires mandatory reporting to the IRS within twenty-four hours of conviction
D. Does not itself constitute the specific criminal conviction category Section 10.51(a)(1) addresses

14. A practitioner's obligation to promptly return client records is generally most relevant when:

A. The representation has only just begun with no records yet generated
B. The representation has concluded or the client has otherwise requested the records
C. The practitioner has decided to retain the client indefinitely going forward
D. The client has expressed satisfaction with the ongoing representation

15. A practitioner's written tax opinion addressing a debatable legal question should generally:

A. Present only authority supporting the client's desired favorable conclusion
B. Omit any discussion of risk or uncertainty to project confidence
C. Present a balanced analysis acknowledging genuine contrary authority where it exists
D. Avoid citing any specific legal authority at all to remain general

16. A practitioner's competence obligation requires ongoing attention to:

A. Changes in tax law relevant to the practitioner's actual areas of practice
B. Only the practitioner's own personal financial investment portfolio management
C. Only broad economic trends entirely unrelated to specific tax law changes
D. Only the practitioner's own firm's internal marketing strategy decisions

17. A practitioner's advertising claim describing the firm as "the area's leading tax resolution specialists" is generally:

A. Potentially misleading unless the practitioner can substantiate the specific superlative claim made
B. Always permitted, since superlative marketing language is categorically exempted from scrutiny
C. Permitted only if every single competing firm in the area formally agrees with it
D. Irrelevant to Circular 230, since it is treated as harmless marketing puffery

18. A practitioner's obligation under Section 10.20 to submit records applies to a lawful request from:

A. Any private individual claiming, without verification, to represent the IRS
B. A properly authorized officer or employee of the IRS
C. A state tax agency employee acting entirely outside any federal authorization
D. An anonymous requester providing no identifying information whatsoever

19. A practitioner's failure to advise a client of an available, applicable tax election that would benefit the client may constitute:

A. A matter entirely outside any Circular 230 concern whatsoever
B. Acceptable practice, since practitioners have no obligation to identify every possible election
C. Relevant only if the client specifically and explicitly asked about that exact election
D. A potential failure to meet the competence and diligence standards Circular 230 requires

20. A practitioner's obligation to avoid conflicts of interest applies to conflicts arising from:

A. Only conflicts involving another client, never the practitioner's own personal interests
B. Only conflicts involving the practitioner's own personal interests, never another client
C. The practitioner's own personal or financial interests, as well as duties to other clients
D. Neither category, since Section 10.29 addresses only fee disputes specifically

21. A practitioner's obligation to maintain professional competence generally does NOT require:

A. Achieving formal specialty certification in every single area of tax law that might arise
B. A reasonable working knowledge of the specific matter actually being handled
C. Awareness of significant, relevant changes in the applicable tax law
D. A willingness to research an unfamiliar issue before proceeding with advice

22. A practitioner's Section 10.34 obligation applies to advice given regarding:

A. Only a position to be taken on an original return, never an amended return
B. Both a position to be taken on an original return and a position on an amended return
C. Only a position to be taken on an amended return, never an original return
D. Neither category, since Section 10.34 addresses only penalty abatement requests

23. A practitioner's disreputable conduct sanction under Section 10.51 may be based on conduct occurring:

A. Only in connection with practice before the IRS, never personal tax affairs
B. Only in the practitioner's own personal tax affairs, never IRS practice itself
C. Only conduct occurring during the practitioner's very first year of active enrollment
D. In connection with practice before the IRS or in the practitioner's own personal tax affairs

24. A practitioner's suspension sanction, unlike disbarment, generally:

A. Automatically ends at a predetermined date without requiring a separate reinstatement petition
B. Requires the exact same formal reinstatement petition process disbarment requires

C. Never actually restricts the practitioner's ability to practice in any way
D. Applies only to violations involving a monetary penalty component

25. A practitioner's monetary penalty under Section 10.50 may be assessed:

A. In a fixed, flat amount identical for every violation regardless of the underlying facts
B. Only in amounts exceeding $1 million regardless of the underlying conduct's severity
C. In an amount up to the gross income derived from the specific noncompliant conduct
D. Only against a firm entity, never against an individual practitioner personally

26. A practitioner's obligation to disclose a known conflict of interest exists:

A. Only at the very conclusion of the representation, after all work is complete
B. Only if the client happens to independently discover the conflict first
C. Only if a formal OPR complaint has already been filed regarding the matter
D. At the outset of the representation and whenever the conflict later evolves

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

A. A guarantee to the client of a specific favorable resolution
B. Clear communication with the client regarding the terms of the engagement
C. A policy of avoiding any documentation of advice given to the client
D. A practice of declining to explain the reasoning behind advice provided

28. A practitioner's obligation to avoid unreasonably delaying a matter under Section 10.23 is evaluated against:

A. A fixed, universal number of days applicable identically to every single matter
B. The practitioner's own entirely subjective, personal sense of urgency
C. What a reasonably diligent practitioner would do given the specific circumstances
D. The client's own entirely subjective, personal sense of urgency

29. A practitioner's overall obligations under Circular 230 apply:

A. Only to representation for which the practitioner charges a fee
B. Only to representation the practitioner personally considers significant
C. Regardless of whether the practitioner charges a fee for the specific representation
D. Only to representation involving a dispute exceeding $10,000

30. A practitioner's overall regulatory framework under Circular 230 is best understood as serving:

A. Only the individual practitioner's own personal financial interests
B. Only the IRS's own narrow administrative convenience interests
C. Only the interests of competing tax preparation firms generally
D. Both the individual taxpayer's interests and the broader tax system's integrity

31. A practitioner's overall duty of loyalty to a client under Circular 230 is best balanced against:

A. No competing duty whatsoever, since client loyalty is treated as absolute
B. The practitioner's independent duty of candor and accuracy toward the IRS
C. Only the practitioner's own personal financial interest in the engagement
D. Only the preferences of the practitioner's other, entirely unrelated clients

32. A power of attorney's specific tax matter description on Form 2848 should generally be:

A. Specific enough to clearly identify the actual matter without being so narrow it excludes related issues
B. As vague and general as possible to cover every conceivable future matter
C. Left entirely blank, since the IRS fills in this section automatically
D. Limited exclusively to a single specific line item within a return

33. A taxpayer's revocation of a power of attorney is generally effective:

A. Immediately upon the taxpayer's signature, regardless of whether the IRS ever receives it
B. Only after a mandatory thirty-day waiting period following the IRS's receipt
C. Only once the representative personally acknowledges receiving the revocation notice
D. Upon the IRS's actual receipt of the revocation, not merely upon the taxpayer's signing

34. A representative acting under an expired power of attorney should generally:

A. Continue acting exactly as before, since expiration is treated as a mere formality
B. Cease acting on the taxpayer's behalf until a new, valid authorization is executed
C. Assume continued authority automatically renews without any further action needed
D. Contact only the taxpayer's spouse for authorization to keep acting

35. A taxpayer's assessment statute of limitations is generally tolled during a period when the taxpayer is:

A. Simply traveling domestically within the United States for business purposes
B. Working remotely from a different U.S. state than their permanent residence
C. Outside the United States for a continuous period of at least six months
D. Attending a routine, short domestic conference unrelated to any tax matter

36. A taxpayer's execution of Form 872-A, a special consent to extend the assessment statute, generally:

A. Remains open-ended until terminated by either party through the applicable procedure
B. Automatically expires after exactly one calendar year regardless of any action taken
C. Requires no termination procedure at all, ending automatically upon assessment
D. Applies only to matters already pending in active Tax Court litigation

37. A taxpayer's reliance on informal oral guidance from an IRS telephone representative carries which general risk?

A. The guidance may be inaccurate and carries limited authoritative weight if later challenged
B. No risk whatsoever, since all IRS telephone guidance is legally binding on the agency
C. Automatic criminal liability if the guidance later proves to have been incorrect
D. Automatic civil penalty relief regardless of the guidance's actual accuracy

38. A Notice of Proposed Rulemaking generally represents:

A. A final, binding regulation with immediate full legal effect
B. A confidential internal IRS memorandum never released publicly
C. A proposed Treasury Regulation open for public comment before finalization
D. A ruling addressing a single, specific named taxpayer's individual request

39. A taxpayer's tax position supported only by a law review article, with no other authority, generally reflects:

A. The strongest possible authoritative support available under any circumstances
B. Weak authoritative support, since a law review article is a secondary, non-binding source
C. Binding authority equivalent to a final Treasury Regulation on the same issue
D. Support entirely equivalent to a decision from the U.S. Supreme Court

40. A taxpayer's transparent, fully disclosed tax position is distinguished from evasion primarily by the:

A. Ultimate dollar amount of tax the position actually saved the taxpayer
B. Specific number of years the position has been consistently used by the taxpayer
C. Taxpayer's own personal, subjective belief the position is completely certain to prevail
D. Absence of concealment or deception directed at the government

41. The Taxpayer Advocate Service's involvement in a case generally does NOT:

A. Guarantee the taxpayer will ultimately prevail on the underlying substantive tax issue
B. Advocate for the taxpayer's interests within the broader IRS structure
C. Address genuine, documented hardship the taxpayer is currently experiencing
D. Operate with a degree of independence from other IRS functions

42. A Form 911 request should generally include:

A. Only the taxpayer's general opinion of the IRS as an institution generally
B. Only the taxpayer's total lifetime tax payments made to date
C. Only the specific software the taxpayer's preparer originally used
D. A description of the specific hardship the taxpayer is experiencing and its impact

43. An Enrolled Agent's unlimited practice rights are best understood as extending to:

A. Only matters involving the specific tax years the EA originally passed the SEE
B. Only matters the EA's own state government has separately and specifically approved
C. Any taxpayer matter before any IRS administrative office or function
D. Only matters where the disputed amount exceeds a specific minimum dollar threshold

44. A practitioner's preliminary review of a new engagement should generally assess:

A. Only the practitioner's own personal calendar availability for the coming week
B. Whether any applicable statute of limitations creates time-sensitive urgency
C. Only the client's preferred method of payment for the engagement
D. Only whether the client's office has convenient, available parking nearby

45. A conflict check's purpose is best described as:

A. Identifying whether accepting a new matter would compromise the practitioner's duties to any party
B. Determining whether the prospective client can afford the practitioner's stated fees
C. Determining whether the prospective client will likely refer other future clients

D. Determining whether the prospective client shares the practitioner's personal interests

46. A wage and income transcript's data is generally sourced from:

A. The taxpayer's own self-reported figures on the originally filed return
B. The taxpayer's own personal bank account statements directly
C. Third-party information returns such as Forms W-2 and 1099
D. A random statistical sample of other, unrelated taxpayers' returns

47. The Collection Financial Standards generally do NOT directly address:

A. Allowable housing and utility expenses based on county-specific standards
B. The taxpayer's substantive income tax liability calculation for the year
C. Allowable food, clothing, and miscellaneous expense amounts
D. Allowable vehicle ownership and operating cost amounts

48. A taxpayer's Innocent Spouse Relief claim generally cannot be based on:

A. An understatement attributable to the other spouse's erroneous items on a joint return
B. A joint liability where the requesting spouse genuinely lacked knowledge of the understatement
C. A joint liability where holding the requesting spouse liable would be inequitable
D. A liability the requesting spouse independently incurred entirely outside any joint return

49. A requesting spouse's economic hardship, if relief is denied, is most relevant under which category of relief?

A. Equitable relief under Section 6015(f)
B. Traditional relief under Section 6015(b) exclusively
C. Separation of liability relief under Section 6015(c) exclusively
D. No category of innocent spouse relief considers economic hardship at all

50. A practitioner's initial evaluation of a criminal exposure concern should generally include reviewing:

A. Only the client's general reputation within the local community
B. Only the client's preferred communication method for future correspondence
C. The specific facts suggesting willful conduct versus an innocent mistake
D. Only the specific day of the week the initial consultation occurs

51. A practitioner's decision to continue civil representation after referring a client to criminal counsel should generally be:

A. Made entirely independently with no coordination with criminal counsel at all
B. Made without regard to how civil actions might affect the criminal matter
C. Delegated entirely to the client's own personal judgment with no practitioner input
D. Coordinated with criminal counsel to avoid conflicting or compromising actions

52. A Kovel accountant's work product generally remains privileged only if it:

A. Was created for any purpose whatsoever, regardless of its actual connection to legal advice
B. Was created specifically to assist the attorney in rendering legal advice to the client
C. Was created entirely independently of any attorney's involvement or direction
D. Was shared directly and voluntarily with the IRS during an examination

53. A practitioner's documentation supporting a taxpayer's position should generally be organized to:

A. Maximize the sheer physical volume of paper generated regardless of actual usefulness
B. Satisfy only the practitioner's own idiosyncratic personal filing habits
C. Allow the practitioner to quickly locate and present relevant evidence as the matter progresses
D. Minimize the total time invested in the matter regardless of resulting quality

54. A practitioner's case file should generally document the source of each significant fact asserted because:

A. IRS regulations specifically mandate a particular citation format for every fact
B. It has no genuine practical value beyond satisfying idle administrative curiosity
C. It is required only for facts specifically favorable to the government's position
D. This supports the credibility and defensibility of the position if later challenged

55. A practitioner's preliminary assessment of a collection matter should generally include reviewing:

A. Only the taxpayer's personal credit score from a private credit bureau
B. The taxpayer's current income, expenses, and asset situation
C. Only the taxpayer's specific employer's overall corporate reputation
D. Only the taxpayer's personal relationship history with prior accountants used

56. A practitioner's obligation to safeguard sensitive client information continues:

A. Even after the specific engagement for which the information was obtained has concluded
B. Only while the specific engagement remains actively ongoing and open
C. Only if the client specifically pays an additional fee for continued safeguarding
D. Only for information the client explicitly and formally labels as confidential

57. A practitioner's decision to accept a new engagement despite limited direct experience in the specific area should generally include:

A. No further consideration at all, since accepting any client is always appropriate
B. Simply informing the client of the limitation with no further plan or action needed
C. A genuine, good-faith plan for acquiring the necessary competence before proceeding
D. Charging a reduced fee to compensate the client for the practitioner's inexperience

58. A practitioner's case-building efforts regarding a potential Innocent Spouse Relief request should generally document:

A. The specific facts establishing the requesting spouse's actual knowledge, or lack thereof
B. Only the couple's original wedding anniversary date and celebration details
C. Only the specific make and model of the couple's shared family vehicle
D. Only the couple's general vacation preferences and travel history together

59. A practitioner's overall preliminary case assessment should weigh the client's stated objectives against:

A. Only the practitioner's own personal preference for how matters typically resolve
B. The realistic likelihood of achieving those objectives given the actual facts and law
C. Only the specific total number of years the practitioner has been in practice
D. Only whether the client's objectives happen to align with the practitioner's own political views

60. A practitioner's case-building work is ultimately intended to support:

A. Only the practitioner's own internal billing and time-tracking records
B. Only the practitioner's own future marketing materials for prospective clients
C. Only the practitioner's personal continuing education portfolio documentation
D. An accurate, well-substantiated presentation of the taxpayer's position to the IRS

61. A short-term payment plan for a modest tax balance is generally most appropriate when the taxpayer:

A. Reasonably expects to fully pay the balance within a brief, near-term period
B. Has no realistic prospect of ever paying any portion of the underlying balance
C. Wishes to permanently settle the liability for a reduced overall amount
D. Is specifically disputing the correctness of the underlying assessed liability itself

62. A taxpayer's guaranteed installment agreement request may generally be denied if the taxpayer:

A. Owes exactly $9,500 in combined tax, penalties, and interest

B. Proposes to pay the full balance within two years rather than three
C. Has not filed all required returns for the preceding five years
D. Has never previously had any installment agreement of any kind

63. A Doubt as to Collectibility offer's initial payment for a periodic-payment plan generally:

A. Is deferred entirely until the offer has been formally accepted by the IRS
B. Is a single lump-sum payment made once at the very time of submission
C. Is entirely optional and left to the taxpayer's own personal discretion
D. Begins immediately upon submission and continues throughout the IRS review period

64. A taxpayer's offer in compromise is generally deemed accepted if the IRS:

A. Simply takes longer than six months to respond to the submitted offer
B. Does not reject, return, or withdraw the offer within a specific statutory period
C. Requests additional financial documentation from the taxpayer during review
D. Assigns the offer to a specific, named Offer Specialist for review

65. A lien discharge request should generally identify:

A. Only the taxpayer's general opinion regarding the fairness of the underlying lien
B. Only the taxpayer's total combined net worth across all owned property
C. The specific property to be discharged and the transaction necessitating the discharge
D. Only the specific date the original Notice of Federal Tax Lien was filed

66. A levy on a taxpayer's commissions is generally treated similarly to a levy on:

A. A one-time bank account balance, reaching only funds present at the moment of levy
B. Real property, requiring a formal foreclosure-style sale process
C. Intangible intellectual property rights the taxpayer may hold
D. Wages, subject to the same continuous-attachment and exemption principles

67. A taxpayer placed into Currently Not Collectible status should generally be advised that:

A. The underlying tax debt has been permanently and fully forgiven
B. Interest continues accruing and the status is subject to future IRS reevaluation
C. No further correspondence from the IRS will ever be received again
D. The collection statute of limitations stops running entirely and permanently

68. A CDP hearing's scope generally allows the taxpayer to raise:

A. Collection alternatives and, in limited circumstances, the underlying liability itself
B. Only matters entirely unrelated to the specific triggering lien or levy notice
C. Only a request for a longer response deadline with no substantive issues raised
D. Only a general complaint about the assigned revenue officer's overall demeanor

69. A TFRP assessment is generally preceded by:

A. No investigation whatsoever, since the penalty is assessed automatically
B. A mandatory criminal trial establishing the underlying facts first
C. An investigation identifying the specific individuals with responsibility and willfulness
D. A formal vote among the business's own shareholders or owners

70. A TFRP interview conducted by the IRS generally seeks to establish:

A. Only the individual's personal opinion of the business's overall management style
B. The individual's actual duties, authority, and knowledge regarding the unpaid trust fund taxes
C. Only the individual's specific educational background and degrees held
D. Only the individual's personal relationship with other company employees

71. A practitioner asserting Section 7525 privilege in a noncriminal Tax Court proceeding must generally show the communication:

A. Was made in the presence of at least three unrelated third-party witnesses
B. Was made exclusively in a formal, notarized written document
C. Occurred more than one full year before the Tax Court petition was filed
D. Was made for the purpose of obtaining or providing tax advice, and remained confidential

72. A taxpayer's Cohan estimate for a genuinely lost receipt should generally be:

A. Reasonable and supported by whatever credible secondary evidence remains available
B. Set at the highest conceivable amount to maximize the resulting tax benefit
C. Set at zero, since any estimate without an exact receipt is automatically disallowed
D. Determined entirely by the examining agent's own personal preference

73. A practitioner responding to an IDR should generally ensure the response:

A. Includes substantially more information than was actually requested, for thoroughness
B. Directly and completely addresses what was actually requested within the stated scope
C. Is submitted without any prior internal review by the practitioner at all
D. Is delayed as long as possible regardless of the specific stated deadline

74. A taxpayer's examination file should generally be reviewed by the practitioner before an Appeals conference to:

A. Simply confirm the file's total physical page count for administrative purposes
B. Verify the specific paper type and printer used for the original documents
C. Confirm the specific font used throughout the examiner's written report
D. Identify the strongest arguments and any weaknesses requiring proactive attention

75. A CP-2000 response that includes supporting documentation showing income was reported elsewhere on the return should generally result in:

A. The IRS reviewing the explanation and potentially withdrawing the proposed adjustment
B. Automatic assessment of the proposed adjustment regardless of the documentation provided
C. Automatic criminal referral regardless of the underlying circumstances presented
D. No response of any kind from the IRS to the taxpayer's submission

76. A taxpayer's notice of deficiency generally becomes final if the taxpayer:

A. Requests a brief extension of time to review the notice more carefully
B. Contacts the IRS to ask clarifying questions about the notice
C. Fails to file a timely Tax Court petition within the applicable window
D. Consults with a representative before deciding how to respond

77. An Appeals Officer's evaluation of a case's litigation hazards generally considers:

A. Only the Appeals Officer's own personal, subjective preference for a particular outcome
B. How a court would likely view the strength of the evidence and applicable legal authority
C. Only the specific dollar amount originally proposed in the underlying RAR
D. Only whether the taxpayer's representative happens to be a licensed attorney

78. A taxpayer's decision to pursue Post-Appeals Mediation rather than proceed directly to Tax Court should generally weigh:

A. Only the specific mediator's personal educational background and credentials
B. Only the specific physical location where mediation sessions would be held
C. Whether mediation could resolve remaining issues more efficiently than full litigation
D. Only whether the taxpayer's representative has previously used mediation before

79. A taxpayer's formal written protest should generally avoid:

A. Vague, unsupported assertions lacking specific factual or legal grounding
B. Citing specific, genuinely applicable legal authority supporting the taxpayer's position
C. Organizing the protest by clearly addressing each contested issue individually
D. Including relevant supporting documentation for the facts actually asserted

80. A taxpayer's small tax case election generally forecloses the ability to:

A. Present evidence and testimony during the actual Tax Court proceeding itself
B. Be represented by a qualified practitioner during the small case proceeding
C. Settle the matter with Appeals before the small case hearing actually occurs
D. Appeal an adverse Tax Court decision to a circuit court of appeals

81. A taxpayer's Appeals conference presentation strategy should generally be adjusted based on:

A. The Appeals Officer's specific questions and concerns as they emerge during the conference
B. A single, rigid script prepared in advance with no flexibility whatsoever
C. The taxpayer's own personal mood on the specific day of the conference
D. The weather conditions on the day the conference happens to occur

82. A taxpayer's decision whether to sign Form 870-AD should generally be made after:

A. Simply being told the document exists with no further explanation provided
B. Fully understanding the settlement terms and their practical finality
C. Being informed only of the specific page count of the document itself
D. Being informed only of the date printed at the top of the document

83. A taxpayer's Appeals settlement generally does NOT foreclose:

A. Further administrative appeal of the specific issues the settlement actually resolved

B. The IRS's ability to collect the settled amount from the taxpayer
C. A future examination of an entirely different, unrelated tax year
D. The taxpayer's own obligation to comply with the settlement's specific payment terms

84. A practitioner's overall approach to Appeals representation is most effective when it reflects:

A. Aggressive insistence that the taxpayer is entirely correct on every single contested issue
B. Minimal preparation, relying entirely on the Appeals Officer to identify the relevant issues
C. Complete silence throughout the conference, letting only written materials speak for themselves
D. Thorough preparation combined with genuine candor about the case's actual relative strengths and weaknesses

85. A preparer's independent review of a completed return remains necessary even when using well-regarded software because:

A. All software products are equally likely to contain calculation defects regardless of quality
B. IRS regulations specifically mandate a minimum number of independent review passes
C. Clients generally expect a visible, formal review step regardless of its actual substance
D. Software cannot verify the accuracy of the underlying facts and characterizations the preparer entered

86. A duplicate entry error is most reliably caught by:

A. Comparing the completed return's reported figures against the original source documents
B. Reviewing only the software's own internal calculation summary screen
C. Confirming the client's overall satisfaction with the completed return
D. Confirming the return was successfully transmitted to the IRS

87. A preparer's Section 6107(b) recordkeeping obligation is distinct from the taxpayer's own separate recordkeeping obligation in that the preparer's obligation:

A. Applies only to returns the preparer expects to result in a substantial refund

B. Exists specifically to support IRS verification of the preparer's own compliance
C. Is satisfied automatically merely by the taxpayer's own independent retention
D. Requires retention for a period twice as long as the taxpayer's own obligation

88. A preparer's physical security measures for paper client records should generally include:

A. Storage in an entirely unlocked, freely accessible common area
B. No specific storage protocol at all, since paper records carry no genuine risk
C. Locked storage limiting access to authorized personnel only
D. Storage exclusively at the preparer's own personal residence rather than the office

89. An IRS e-file Application applicant's identity is generally verified through:

A. Documentation and background information submitted as part of the formal application
B. A purely informal, unverified verbal statement made over the telephone
C. The applicant's own unverified, self-reported claims with no supporting documentation
D. A referral letter from any other unrelated tax preparer of the applicant's choosing

90. A firm's multiple e-file Provider roles under one EFIN should generally be reflected in:

A. No formal reflection at all, since multiple roles are treated identically under the rules
B. A separate, entirely additional EFIN issued for each individual role held
C. An annual renewal fee calculated based on the total number of roles held
D. The firm's actual application and its ongoing compliance with each role's specific responsibilities

91. A preparer's specified tax return preparer status applies to covered returns filed:

A. At any point during the preparer's entire multi-decade career, cumulatively
B. Within the specific calendar year the threshold determination actually covers
C. Only during the first quarter of the specific calendar year in question
D. Only for returns involving a balance due rather than a refund

92. A preparer's Form 8948 attachment is generally required for each paper-filed return where:

A. The preparer is not a specified tax return preparer at all, regardless of any exception
B. The client requests paper filing purely for aesthetic or sentimental personal reasons
C. The preparer is a specified tax return preparer and a recognized exception genuinely applies
D. The return happens to be unusually short in overall page length

93. A preparer's Form 8944 hardship waiver denial should generally prompt the preparer to:

A. Cease preparing tax returns entirely for the remainder of the preparer's career
B. Immediately surrender the preparer's PTIN to the IRS without further action
C. Develop a plan for achieving e-file compliance going forward absent another applicable exception
D. Assume the denial was issued in error and simply continue filing on paper anyway

94. A taxpayer's Form 8879 signature using the Self-Select PIN method generally requires the taxpayer to independently provide:

A. A formal, notarized affidavit submitted alongside the electronic signature
B. A PIN of the taxpayer's own choosing along with identity verification information
C. A handwritten signature transmitted by fax to the ERO before filing
D. An in-person appearance at the ERO's physical office location

95. An ERO's obligation to retain Form 8879 exists independently of:

A. The actual date the return was originally due to be filed
B. The actual date the IRS actually received the transmitted return
C. The specific three-year retention period the applicable rule establishes
D. Whether the underlying return was ultimately accepted or rejected by the IRS system

96. A preparer's use of Form 8453 should generally be confirmed against:

A. The current tax year's specific instructions identifying documents requiring this transmittal
B. The preparer's own personal recollection from several years earlier
C. A different, unrelated preparer's own general practice habits
D. The client's own personal, uninformed guess about the requirement

97. A rejected return's perfection period is most usefully understood as:

A. A limited window to correct and retransmit while preserving the original timely filing date
B. An unlimited window with no defined end point of any kind whatsoever
C. A penalty imposed specifically for the initial rejection itself
D. A separate, entirely additional filing deadline unrelated to the original one

98. A preparer noticing an unusual pattern of rejections across a specific client segment should generally:

A. Assume the pattern is purely coincidental with no further investigation warranted
B. Contact only the IRS help desk with no internal investigation conducted first
C. Investigate whether a common underlying cause, such as a data error or security issue, exists
D. Simply switch software providers immediately without further diagnosis

99. A preparer's overall e-file compliance program should generally be reviewed:

A. Only once, at the time the firm first became an authorized e-file Provider
B. Periodically, to reflect changes in IRS requirements and the firm's own operations
C. Only if a specific client formally requests such a review in writing
D. Never, since initial compliance is presumed to remain permanently adequate

100. An e-file Provider's overall responsibility framework ultimately reflects the recognition that:

A. Electronic filing carries no meaningful responsibility beyond what paper filing requires
B. Electronic filing exists purely to reduce the IRS's own internal administrative costs
C. Electronic filing responsibilities apply only to the largest, highest-volume Providers
D. Electronic filing's efficiency depends on maintaining genuine trust in the system's integrity

Practice Exam 7: Answer Key and Explanations

1. D — D—The enrollment card serves as evidence of the practitioner's current active EA status, a tangible confirmation of the underlying enrollment rather than a separate license. It is not itself a separate additional license, does not itself prove specific completed education hours, and is not renewed on a separate cycle from the underlying enrollment it evidences.

2. B — B—Inactive status following a lapsed renewal means the practitioner may not practice before the IRS until the enrollment is properly reactivated through the applicable procedures. The practitioner may not continue practicing unchanged, is not permanently disbarred as with a formal disciplinary sanction, and is not automatically converted into unenrolled preparer status.

3. A — A—The enrollment application requires disclosure of relevant prior tax compliance history and any relevant criminal background, information genuinely relevant to evaluating fitness for enrollment as a trusted practitioner overall. Religious affiliation, political affiliation, and marital status or family composition are not relevant disclosures the application legitimately requires from an applicant.

4. C — C—OPR's jurisdiction can extend to relevant conduct occurring both before and during the practitioner's active enrollment period, not narrowly confined to a single complaint year. It is not limited only to the year a complaint happens to be filed, is not limited to conduct after voluntary surrender, and is not limited to conduct within the home state.

5. C — C—Due diligence obligations are heightened for tax shelter advice, reflecting the documented history of abuse associated with certain shelter transactions that Congress and the IRS have specifically addressed. This heightened obligation is not identical to an ordinary routine deduction's standard, is not nonexistent, and applies before, not only after, formal IRS listing occurs.

6. B — B—Advising an undisclosed position with no reasonable basis violates Section 10.34's return position standards, regardless of client insistence or the resulting tax outcome. Client insistence does not excuse the violation, a smaller resulting liability does not cure the lack of reasonable basis, and the violation exists independent of whether an examination later actually occurs.

7. A — A—A fee that varies based on genuine matter complexity is permitted, provided the resulting fee remains reasonable given the actual services rendered under the circumstances. Fees are not required to be strictly identical across all matters, advance IRS disclosure of the fee arrangement is not required, and attorney co-counsel involvement is not a prerequisite.

8. D — D—Omitting a material limitation can itself constitute a misleading advertisement in violation of Circular 230's standards, since misleading omissions are treated similarly to affirmative false statements. This is not acceptable simply because it is an omission rather than an affirmative statement, is not outside Circular 230's scope, and requires no competitor complaint to be a violation.

9. B — B—Representing both a business and its sole owner requires evaluating whether their interests could genuinely diverge in the specific matter at hand, a real conflict-of-interest inquiry. Current profitability, the owner's personal liking of communication style, and employee headcount are not themselves the substantive factors this particular conflict evaluation should focus on.

10. D — D—Proper consent documentation should specify the date consent was actually given and the specific scope of the conflict that was disclosed to the client. A signature alone with no substantive content, the fee amount alone, and a vague undated general statement all fail to provide the specific documentation this consent requirement genuinely calls for.

11. A — A—Effective compliance procedures include a clear internal process for identifying, reporting, and correcting compliance concerns as they genuinely arise within the firm over time. A strict policy against discussing compliance matters, entirely outsourcing responsibility to unrelated consultants, and relying purely on undocumented informal understanding all undermine genuinely effective firm-wide compliance.

12. C — C—A Section 10.51(a)(4) violation generally requires the false information to be material to the matter at hand, not merely a trivial, inconsequential detail with no real significance. It need not be provided in a notarized document, need not be provided to the Commissioner personally, and need not relate exclusively to active litigation.

13. D — D—An unrelated minor offense, such as a traffic violation, generally does not itself constitute the specific criminal conviction category Section 10.51(a)(1) addresses, which targets more serious offenses. It does not automatically trigger immediate disbarment, is not necessarily entirely irrelevant to broader fitness considerations, and carries no specific twenty-four-hour mandatory reporting requirement.

14. B — B—The record-return obligation is most relevant once the representation has concluded or the client has otherwise affirmatively requested the records back. It is not particularly relevant at the very outset before records exist, is not about indefinite retention plans, and is not triggered simply by the client's expressed satisfaction with ongoing work.

15. C — C—A sound written opinion addressing a debatable question presents a balanced analysis, genuinely acknowledging contrary authority rather than one-sidedly favoring the client's desired outcome alone throughout. Presenting only favorable authority, omitting genuine risk discussion, and avoiding specific citations entirely all fall short of the balanced analytical rigor Circular 230 expects.

16. A — A—Ongoing competence requires staying attentive to changes in tax law relevant to the practitioner's actual areas of practice, not unrelated personal or business matters. The practitioner's own investment portfolio, broad unrelated economic trends, and internal marketing strategy are not themselves the focus this ongoing competence obligation actually requires attention to.

17. A — A—An unsubstantiated superlative claim like "leading" is potentially misleading unless the practitioner can actually substantiate that specific claim with genuine supporting evidence on record. Superlative language is not categorically exempt from scrutiny, does not require every competitor's agreement, and is not automatically dismissed as harmless puffery under Circular 230's advertising standards.

18. B — B—The Section 10.20 obligation applies specifically to a lawful request from a properly authorized IRS officer or employee, not an unverified private individual or unrelated party. An unverified claimed IRS representative, a state agency employee acting outside federal authorization, and an anonymous unidentified requester are not the proper parties this obligation addresses.

19. D — D—Failing to advise a client of an available, clearly applicable, and beneficial election may reflect a failure to meet the competence and diligence standards Circular 230 imposes. This is not entirely outside Circular 230's concern, is not automatically acceptable simply because not every possible election must be identified, and does not depend solely on the client having specifically asked.

20. C — C—Section 10.29 addresses conflicts arising both from the practitioner's own personal or financial interests and from duties owed to other clients, covering both recognized categories. It is not limited only to conflicts involving another client, is not limited only to the practitioner's own interests, and does not address only fee disputes.

21. A — A—Competence does not require achieving formal specialty certification in every conceivable area of tax law that might arise across a broad general practice. It does require reasonable working knowledge of the specific matter being handled, awareness of significant relevant legal changes, and a genuine willingness to research unfamiliar issues before advising.

22. B — B—Section 10.34 applies to advice regarding both original return positions and amended return positions, covering the practitioner's role across either type of filing. It is not limited only to original returns, is not limited only to amended returns, and does not address only penalty abatement requests, which fall under separate provisions.

23. D — D—Section 10.51 sanctions may be based on conduct connected either to practice before the IRS or to the practitioner's own personal tax affairs, covering both categories. It is not limited only to IRS practice conduct, is not limited only to personal tax affairs, and is not limited to conduct occurring only during the first enrollment year.

24. A — A—A suspension automatically ends at its predetermined date without requiring the more extensive formal reinstatement petition process disbarment generally requires. It does not require the identical reinstatement process, does genuinely restrict practice during its period, and is not limited only to violations that happen to also involve a monetary penalty.

25. C — C—A Section 10.50 penalty may generally be assessed up to the gross income the practitioner derived from the specific noncompliant conduct at issue, not a flat universal amount. It is not a fixed identical amount regardless of facts, carries no $1 million minimum, and can reach an individual practitioner personally, not only a firm entity.

26. D — D—Disclosure obligations exist both at the outset of representation and whenever a conflict subsequently evolves during the engagement, an ongoing rather than one-time duty. Disclosure is not properly delayed until the engagement's conclusion, is not contingent on independent client discovery, and does not depend on a formal complaint already having been filed.

27. B — B—Section 10.33 encourages establishing clear communication with the client regarding engagement terms, supporting genuinely effective representation from the very outset of the relationship. It does not encourage guaranteeing a specific favorable resolution, does not encourage avoiding documentation of advice, and does not encourage withholding the reasoning behind advice given to the client.

28. C — C—Section 10.23 is evaluated against what a reasonably diligent practitioner would do given the specific circumstances of the matter, an objective professional standard. It is not measured by a fixed universal day count applicable to every matter identically, and it is not measured by either the practitioner's or the client's purely subjective sense of urgency.

29. C — C—Circular 230 obligations apply regardless of whether the practitioner charges a fee for the specific representation, covering pro bono work as well as paid engagements. They are not limited only to fee-charging representation, are not limited to matters the practitioner personally deems significant, and carry no minimum dollar threshold triggering their application.

30. D — D—The Circular 230 framework serves both the individual taxpayer's interests and the broader integrity of the overall tax administration system, a genuinely dual protective purpose. It does not exist solely to serve the practitioner's own financial interests, is not solely about IRS administrative convenience, and does not exist to protect competing firms' interests.

31. B — B—A practitioner's duty of loyalty to the client must be balanced against the practitioner's independent, simultaneous duty of candor and accuracy toward the IRS itself. Client loyalty is not treated as an absolute overriding every other consideration, and it is not balanced against the practitioner's own financial interest or other unrelated clients' preferences.

32. A — A—A properly drafted matter description should be specific enough to clearly identify the actual matter, while not so narrow that it inadvertently excludes genuinely related issues. Excessive vagueness undermines the form's purpose, the IRS does not fill this section in automatically, and limiting it to a single line item is generally overly narrow.

33. D — D—A revocation becomes effective upon the IRS's actual receipt of the revocation document, not merely upon the taxpayer signing it before it has been submitted. It is not effective immediately upon signature alone before submission, does not require a thirty-day waiting period after receipt, and does not require the representative's personal acknowledgment.

34. B — B—A representative should cease acting on the taxpayer's behalf once the power of attorney has actually expired, until a new valid authorization is properly executed and filed. Continuing to act as before treats expiration too casually, authority does not automatically renew, and a spouse's authorization does not substitute for the taxpayer's own renewed authorization.

35. C — C—The assessment statute can be tolled where the taxpayer is outside the United States continuously for at least six months, a recognized specific tolling circumstance. Domestic business travel, remote work from a different U.S. state, and attending a short unrelated domestic conference are not recognized tolling events under this specific extended-absence rule.

36. A — A—Form 872-A creates an open-ended extension that remains in effect until terminated by either the taxpayer or the IRS through the applicable formal termination procedure. It does not automatically expire after exactly one year, does require an affirmative termination procedure, and is not limited only to matters already pending in Tax Court.

37. A — A—Informal oral telephone guidance carries the real risk of inaccuracy and limited authoritative weight if the position is later challenged, unlike more formal written guidance. It is not legally binding on the IRS in every instance, does not create automatic criminal liability if incorrect, and does not create automatic civil penalty relief regardless of accuracy.

38. C — C—A Notice of Proposed Rulemaking represents a proposed regulation Treasury has opened for public comment, a preliminary step before any regulation becomes truly final and binding. It is not itself a final binding regulation, is not confidential, and is not a ruling addressing a single specific taxpayer's individual, confidential request.

39. B — B—A position supported only by a law review article reflects comparatively weak authoritative support, since such articles are secondary, non-binding commentary rather than primary legal authority. This is not the strongest possible support available, is not equivalent to a binding Treasury Regulation, and is not equivalent to a Supreme Court decision.

40. D — D—The key distinguishing feature is the absence of concealment or deception directed at the government, the defining hallmark separating legitimate avoidance from unlawful evasion entirely. The dollar amount saved, the number of years used, and the taxpayer's own subjective certainty are not themselves the factors that distinguish avoidance from evasion.

41. A — A—TAS involvement does not guarantee the taxpayer will ultimately prevail on the underlying substantive tax issue, since TAS specifically addresses process and hardship, not substantive legal merits. TAS does genuinely advocate for taxpayer interests, does address genuine documented hardship, and does operate with real independence from other IRS functions generally.

42. D — D—A proper Form 911 request should describe the specific hardship the taxpayer is experiencing and explain its actual impact, the substantive basis for TAS involvement. A general opinion of the IRS, total lifetime tax payments, and the preparer's software choice are not themselves the relevant substantive content this specific request requires.

43. C — C—Unlimited practice rights extend to any taxpayer matter before any IRS administrative office or function, not narrowly confined by the year of the EA's own exam passage. They are not limited to specific years tied to when the SEE was passed, do not require separate state approval, and carry no minimum dollar threshold requirement.

44. B — B—A proper preliminary review specifically assesses whether any applicable statute of limitations creates genuine time-sensitive urgency requiring prompt action in the new matter at hand. Personal calendar availability, the client's preferred payment method, and office parking convenience are not themselves the substantive factors this initial review should actually prioritize here.

45. A — A—A conflict check's core purpose is specifically identifying whether accepting a new matter would compromise the practitioner's duties owed to any current or prior party involved in it. Assessing fee affordability, likely future referrals, and shared personal interests are not themselves the substantive purpose this specific conflict-checking process actually serves.

46. C — C—A wage and income transcript compiles data specifically sourced from third-party information returns, such as Forms W-2 and 1099, submitted independently to the IRS. It is not sourced from the taxpayer's own self-reported return figures, is not sourced from personal bank statements directly, and is not a random sample of unrelated taxpayers.

47. B — B—The Collection Financial Standards address allowable living expenses for ability-to-pay analysis purposes, but do not themselves address the taxpayer's substantive income tax liability calculation for the year. They do address housing and utility expenses, food and clothing expenses, and vehicle ownership and operating costs, all within their actual defined scope.

48. D — D—Innocent Spouse Relief cannot address a liability the requesting spouse independently incurred entirely outside any joint return at all, since the relief specifically addresses joint return liability only. It properly can address an understatement from the other spouse's erroneous items, genuine lack of knowledge, and inequitable liability, all recognized joint-liability grounds.

49. A — A—Economic hardship if relief is denied is a specifically recognized factor within the multi-factor equitable relief analysis under Section 6015(f), a broader fallback category. It is not the primary consideration for traditional or separation of liability relief specifically, and economic hardship genuinely is considered within the overall innocent spouse framework.

50. C — C—A proper initial evaluation reviews the specific facts suggesting willful conduct as opposed to a genuinely innocent mistake, the core distinction relevant to criminal exposure. The client's general community reputation, preferred communication method, and the specific day of consultation are not themselves the substantive facts this evaluation should focus on.

51. D — D—Continued civil representation after a criminal referral should be carefully coordinated with criminal counsel, avoiding actions in the civil matter that could conflict with or compromise the criminal defense. Acting entirely independently, disregarding potential effects on the criminal matter, and delegating entirely to the client's own judgment are all inappropriate approaches.

52. B — B—Kovel work product privilege depends on the work having been created specifically to assist the attorney in rendering genuine legal advice to the client, a purpose-specific limitation. It is not privileged simply because it was created for any purpose whatsoever, is not privileged if created entirely independently of attorney involvement, and disclosure to the IRS waives it.

53. C — C—Well-organized documentation should allow the practitioner to quickly locate and present relevant supporting evidence as the underlying matter continues to progress and develop. It should not aim to maximize sheer paper volume, should not merely satisfy idiosyncratic personal filing habits, and should not sacrifice quality merely to minimize invested time.

54. D — A—Documenting each significant fact's source supports the overall credibility and defensibility of the taxpayer's position if it is later challenged by the IRS or a court. There is no specific mandated citation format regulations impose, this documentation has genuine practical value, and it should cover facts favorable to either side, not only the government's.

55. B — B—A proper collection matter assessment reviews the taxpayer's current income, expenses, and asset situation, the actual substantive financial picture relevant to genuine resolution options. A private credit score, the employer's corporate reputation, and relationship history with prior accountants are not themselves the substantive financial factors this review should focus on.

56. A — A—The obligation to safeguard sensitive client information continues even after the specific engagement for which it was obtained has formally concluded, an ongoing protective duty. It does not end simply because the engagement is no longer active, does not require an additional fee, and is not limited only to information explicitly labeled confidential.

57. C — C—Accepting a matter despite limited direct experience should include a genuine, good-faith plan for acquiring the necessary competence, such as research or consultation, before proceeding. Accepting with no further consideration at all, informing the client with no actual plan, and merely charging a reduced fee do not themselves satisfy the competence obligation.

58. A — A—Proper case-building documentation for this specific request focuses on the specific facts establishing the requesting spouse's actual knowledge, or genuine lack thereof, of the underlying tax understatement. Wedding anniversary details, the family vehicle's make and model, and general vacation preferences are not themselves the substantive facts this documentation should target.

59. B — B—A sound preliminary assessment weighs the client's stated objectives against the realistic likelihood of actually achieving them given the genuine facts and applicable law involved. The practitioner's own general preference for outcomes, years in practice, and any alignment with the practitioner's political views are not themselves the relevant factors here.

60. D — D—Case-building work ultimately supports an accurate, well-substantiated presentation of the taxpayer's actual position to the IRS throughout the entire ongoing representation process itself. It is not primarily intended to support internal billing records, future marketing materials, or the practitioner's own personal continuing education documentation, all unrelated to this core purpose.

61. A — A—A short-term plan is most appropriate where the taxpayer reasonably expects to fully pay the balance within a brief, near-term period, avoiding the more involved installment agreement process. No realistic prospect of paying at all points toward CNC or an offer instead, wanting a reduced settlement points toward an offer, and disputing the liability itself points toward Appeals.

62. C — D—A guaranteed agreement request may be denied where the taxpayer has not filed all required returns for the preceding five years, a genuine eligibility requirement for this specific agreement. Owing $9,500, proposing to pay faster than the required three years, and having no prior installment agreement history do not themselves disqualify the taxpayer.

63. D — A—A periodic-payment offer requires payments to begin immediately upon submission and continue throughout the IRS's review period, not deferred until formal acceptance occurs. It is not deferred entirely until acceptance, is not a single lump-sum payment, and is not optional or left to the taxpayer's own discretion to make or skip.

64. B — B—Under Section 7122, an offer is generally deemed accepted if the IRS fails to reject, return, or withdraw it within the specific statutory period Congress established. Simply taking longer than six months alone does not trigger deemed acceptance, requesting additional documentation is a normal review step, and assignment to a specialist does not itself trigger deemed acceptance.

65. C — C—A proper discharge request identifies the specific property to be discharged and explains the transaction actually necessitating the discharge, such as a pending sale. A general opinion about lien fairness, total combined net worth, and merely the NFTL's filing date are not themselves the substantive content this specific request should focus on.

66. D — D—A levy on commissions is generally treated similarly to a wage levy, subject to the same continuous-attachment principle and applicable statutory exemption calculations. It is not treated like a one-time bank account levy reaching only a single moment's funds, is not treated like real property requiring foreclosure, and is not treated like intellectual property.

67. B — B—A taxpayer in CNC status should clearly understand that interest continues accruing throughout the CNC period and that the IRS may periodically reevaluate the determination going forward regularly. The debt is not permanently forgiven, further IRS correspondence remains genuinely possible, and the collection statute continues running normally, not stopping entirely.

68. A — A—A CDP hearing's scope generally allows raising collection alternatives and, in limited circumstances where the taxpayer lacked a prior opportunity, the underlying liability itself. It does not allow raising entirely unrelated matters, is not limited only to a deadline extension request, and is not limited only to a general demeanor complaint about personnel.

69. C — C—A TFRP assessment is generally preceded by an IRS investigation identifying which specific individuals satisfy both the responsibility and willfulness elements the statute requires. It is not automatically assessed with no investigation, does not require a prior mandatory criminal trial, and does not require a formal internal shareholder or owner vote first.

70. B — B—A TFRP interview seeks to establish the individual's actual duties, genuine authority, and actual knowledge regarding the unpaid trust fund taxes at the relevant time period. The individual's opinion of management style, educational background, and personal relationships with other employees are not themselves the substantive focus of this specific interview.

71. D — D—Asserting Section 7525 privilege requires showing the communication was made to obtain or provide genuine tax advice and remained confidential, not disclosed to any unrelated third parties. It does not require third-party witnesses present, does not require a notarized document, and carries no specific one-year timing requirement relative to filing.

72. A — A—A proper Cohan estimate should be reasonable and supported by whatever credible secondary evidence genuinely remains available, not simply maximized for tax benefit. Setting it at the highest conceivable amount is not itself credible, setting it at zero misstates Cohan's actual purpose, and it is not determined by the examiner's mere personal preference.

73. B — B—A proper IDR response directly and completely addresses what was actually requested within the request's stated scope, neither underdelivering nor unnecessarily overdelivering extra information provided to the examiner. Providing substantially more than requested risks scope creep, submitting without internal review risks errors, and unnecessary delay risks appearing uncooperative to the examiner.

74. D — D—Reviewing the file before an Appeals conference helps identify the strongest supporting arguments and any genuine weaknesses requiring proactive attention during the actual conference presentation itself. Confirming page count, paper type, printer used, or font choice are all irrelevant administrative details unrelated to genuine substantive Appeals preparation for the conference.

75. A — A—A well-documented response showing the income was actually reported elsewhere should result in the IRS reviewing the explanation and potentially withdrawing the proposed adjustment entirely. It should not result in automatic assessment regardless of the documentation, does not trigger automatic criminal referral, and should receive some response from the IRS.

76. C — C—A notice of deficiency generally becomes final and assessable if the taxpayer fails to file a timely Tax Court petition within the applicable ninety-or-150-day window. Requesting an extension to review it, contacting the IRS with questions, and consulting a representative before deciding do not themselves cause the notice to become final.

77. B — B—The hazards evaluation considers how a court would likely view the actual strength of the evidence and applicable legal authority on each specific contested issue. It is not based on the Officer's own subjective outcome preference, is not based solely on the original RAR dollar amount, and does not depend on the representative's specific credential type.

78. C — C—This decision should weigh whether mediation could genuinely resolve the remaining disputed issues more efficiently than proceeding directly to full Tax Court litigation. The mediator's personal background, the physical mediation location, and whether the representative has previously used mediation are not themselves the substantive factors this decision should turn on.

79. A — A—A well-drafted protest should generally avoid vague, unsupported assertions that lack specific factual or legal grounding, since such assertions carry very little persuasive weight with Appeals generally. Citing genuinely applicable authority, organizing by individual contested issue, and including relevant supporting documentation are all recommended practices, not things to be avoided.

80. D — D—Electing the small tax case procedure forecloses the ability to appeal an adverse decision to a circuit court of appeals, the key trade-off this election involves. It does not foreclose presenting evidence and testimony, does not foreclose representation by a qualified practitioner, and does not foreclose settling with Appeals before any hearing occurs.

81. A — A—An effective presentation strategy adjusts based on the Appeals Officer's specific questions and concerns as they genuinely emerge during the actual conference conversation. A single rigid script with no flexibility, the taxpayer's mood that day, and the day's weather conditions are not themselves factors a sound strategy should be built around.

82. B — B—A taxpayer should sign Form 870-AD only after fully understanding the specific settlement terms and their genuine practical finality regarding the settled issues. Simply being told the document exists with no explanation, knowing only the page count, or knowing only the printed date do not themselves constitute the understanding this decision requires.

83. C — C—An Appeals settlement does not foreclose a future examination of an entirely different, unrelated tax year, since finality applies specifically to the settled issues and years. It does generally foreclose further appeal of the settled issues, does not foreclose the IRS's ability to collect the settled amount, and does not eliminate the taxpayer's payment obligations.

84. D — D—The most effective Appeals approach combines thorough preparation with genuine candor about the case's actual relative strengths and weaknesses on each issue presented at conference. Aggressive insistence on being entirely correct everywhere, minimal preparation, and complete silence throughout the conference all undermine the persuasive, credible presentation Appeals responds to best.

85. D — D—Independent review remains necessary because software cannot verify the accuracy of the underlying facts and characterizations the preparer entered, regardless of the software's overall quality. This is not about calculation defects being equally likely across all products, is not an IRS-mandated review-pass count, and is not merely about client visibility expectations.

86. A — A—A duplicate entry is most reliably caught by carefully comparing the completed return's reported figures directly against the original source documents actually provided by the client. Reviewing only the software's internal summary, confirming client satisfaction, and confirming successful transmission do not themselves catch this specific type of underlying data error.

87. B — B—The preparer's Section 6107(b) obligation exists specifically to support IRS verification of the preparer's own compliance, independent of whatever the taxpayer separately retains. It does not apply only to refund-producing returns, is not satisfied merely by the taxpayer's own separate retention, and does not require double the taxpayer's own retention period.

88. C — C—Reasonable physical security for paper records generally includes locked storage limiting access to authorized personnel only, protecting against unauthorized viewing or removal. Storing records in an unlocked common area, having no protocol at all, and requiring storage only at a personal residence rather than the office all fail to reflect reasonable security.

89. A — A—Applicant identity is properly and thoroughly verified through documentation and detailed background information formally submitted as part of the actual e-file application process itself entirely. An informal unverified phone statement, purely self-reported unverified claims, and a referral letter from an unrelated preparer do not themselves satisfy this identity verification requirement.

90. D — D—Multiple roles held under one EFIN should be reflected in the firm's actual application and its ongoing compliance with each role's own specific set of responsibilities. Multiple roles are not treated identically requiring no reflection, do not each require a separate additional EFIN, and there is no per-role annual renewal fee structure.

91. B — B—Specified tax return preparer status applies specifically to covered returns filed within the calendar year the particular threshold determination covers, not cumulatively across a career. It is not measured cumulatively across an entire career, is not limited only to the first quarter, and applies regardless of whether a balance is due or a refund results.

92. C — C—Form 8948 is required specifically where the preparer is a specified tax return preparer and a recognized exception to the e-file mandate genuinely applies to that return. It is not required where the preparer is not specified at all, and a client's aesthetic preference or a short return length are not themselves recognized exception bases.

93. C — C—A denial should prompt developing a genuine plan for achieving actual e-file compliance going forward, absent some other separately applicable exception the preparer might qualify for. It should not result in ceasing preparation entirely, should not require PTIN surrender, and should not lead to simply continuing paper filing while ignoring the denial.

94. B — B—The Self-Select PIN method requires the taxpayer to independently provide a PIN of their own choosing along with identity verification information, such as prior-year AGI figures on file. A notarized affidavit, a faxed handwritten signature, and an in-person office appearance are not required elements of this particular self-select signature method.

95. D — D—The Form 8879 retention obligation exists independently of whether the underlying return was ultimately accepted or rejected, since the authorization itself still requires proper retention. It is not independent of the return's due date, is not independent of the actual IRS receipt date, and is not independent of the specific three-year retention period.

96. A — A—Proper Form 8453 use should always be confirmed against the current tax year's own specific instructions identifying which documents actually require this particular separate transmittal. Relying on the preparer's own outdated recollection, an unrelated preparer's general habits, or the client's uninformed guess are all unreliable substitutes for checking current guidance.

97. A — A—The perfection period is most usefully understood as a limited window to correct and retransmit a rejected return while preserving the original timely filing date. It is not an unlimited window with no end point, is not itself a penalty for the initial rejection, and is not a separate deadline unrelated to the original filing date.

98. C — A—A preparer noticing this pattern should investigate whether a common underlying cause, such as a shared data error or a broader security issue, actually exists. Assuming pure coincidence, contacting only the IRS help desk with no internal investigation, and switching software immediately without diagnosis all skip this necessary investigative step.

99. B — B—A sound e-file compliance program should be reviewed periodically to reflect evolving IRS requirements and changes in the firm's own operations over time. It should not be reviewed only once at initial Provider status, should not depend on a specific client request, and should not be presumed permanently adequate without ongoing review.

100. D — D—The overall Provider responsibility framework reflects the recognition that electronic filing's genuine efficiency depends on maintaining real trust in the system's underlying integrity. This is not about carrying no meaningful additional responsibility, is not purely about reducing IRS costs, and does not apply only to the largest, highest-volume Providers exclusively.