PRACTICE EXAM 8: 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 number is used by the IRS primarily to:

A. Identify the specific practitioner in the IRS's own internal enrollment records system
B. Calculate the practitioner's annual continuing education fee assessment automatically
C. Determine the practitioner's specific geographic territory for client representation purposes
D. Rank practitioners according to their overall years of active practice experience

2. A practitioner's enrollment renewal cycle is generally determined by:

A. The specific U.S. state in which the practitioner currently resides
B. The practitioner's own personal preference for a convenient renewal month
C. The specific date the practitioner's firm was originally established
D. The last digit of the practitioner's Social Security number, per the IRS renewal schedule

3. A practitioner's continuing education provider must generally be:

A. Any organization whatsoever, regardless of any specific IRS approval status
B. An IRS-approved continuing education provider for the hours to properly qualify
C. Exclusively a bar association, even for a non-attorney Enrolled Agent
D. Exclusively the practitioner's own employer or firm providing internal-only training

4. A practitioner's obligation to complete ethics-specific continuing education hours exists to:

A. Satisfy a purely arbitrary administrative requirement with no substantive underlying purpose
B. Generate additional revenue for IRS-approved continuing education providers specifically
C. Reinforce awareness of Circular 230 standards and evolving professional responsibility issues
D. Replace the need for any other substantive tax-law continuing education entirely

5. A practitioner's failure to maintain a current mailing address on file with the IRS may result in:

A. Missed communications from the IRS or OPR that could affect the practitioner's own standing
B. No consequence whatsoever, since address updates are treated as entirely optional
C. Automatic, immediate disbarment regardless of any other circumstances involved
D. Automatic conversion of the practitioner's status to an unenrolled preparer

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

A. Independent government verification of every single casualty loss claim without exception
B. Automatic disallowance of any casualty loss claim exceeding a specific fixed amount
C. A reasonable inquiry into the loss's circumstances where the claim appears questionable
D. No inquiry whatsoever regardless of how questionable the specific claim may appear

7. A practitioner's obligation under Section 10.21 to advise a client of noncompliance applies to noncompliance the practitioner:

A. Merely suspects without any genuine supporting factual basis whatsoever
B. Actually knows about, based on information reasonably available during the engagement
C. Learns about from an entirely unrelated, unconnected third party's rumor
D. Discovers only after the engagement has already formally and completely concluded

8. A contingent fee arrangement connected to representation before the IRS Independent Office of Appeals is generally:

A. Prohibited entirely, since Appeals representation always requires a fixed hourly fee
B. Permitted only if the disputed amount exceeds a specific minimum dollar threshold
C. Permitted only for a licensed attorney, never for an Enrolled Agent
D. Permitted, as a recognized exception within the general contingent fee framework

9. A practitioner's fee that reflects a premium for genuine specialized expertise in a complex matter is generally:

A. Permitted, provided the overall fee remains reasonable given the actual complexity involved
B. Automatically unconscionable simply because it exceeds an ordinary generalist's typical rate
C. Prohibited entirely regardless of the practitioner's actual demonstrated expertise level
D. Permitted only if the client separately holds an advanced graduate degree

10. A practitioner's advertisement that accurately describes the firm's specific areas of practice focus is generally:

A. Prohibited entirely, since describing practice focus areas is categorically banned
B. Permitted only if every possible practice area the firm handles is separately listed
C. Permitted only for firms employing more than a specific minimum number of staff
D. Permitted, since truthful, non-misleading advertising is allowed under Circular 230

11. A conflict of interest arising from a practitioner's prior representation of a now-adverse former client is addressed by evaluating:

A. Only how much total revenue the prior representation generated for the practitioner
B. Only how long ago the prior representation formally concluded in calendar time
C. Whether confidential information from the prior representation could improperly affect the current matter
D. Only whether the former client has since moved to a different state

12. A practitioner's written consent documentation for a conflict should generally be obtained:

A. At any convenient point during the engagement, with timing being entirely immaterial
B. Before proceeding with the conflicted representation, not merely after the fact
C. Only if the conflict later actually results in some demonstrable harm to a client
D. Only from the client who ultimately prevails in the underlying matter

13. A firm's Section 10.36 compliance procedures should generally be periodically reviewed to:

A. Satisfy a purely symbolic administrative formality with no substantive ongoing purpose
B. Ensure they remain adequate given changes in the firm's operations or applicable rules
C. Justify an increase in the firm's overall billing rates to existing clients
D. Reduce the total number of staff the firm employs going forward

14. A practitioner's Section 10.51(a)(4) violation for false statements may involve statements made in connection with:

A. Only a client's formal criminal prosecution proceeding specifically
B. Only a matter already pending in active U.S. Tax Court litigation
C. Only a matter involving a dispute exceeding $500,000 in total amount
D. A client's examination, an offer in compromise, or any other IRS matter generally

15. A practitioner's overall obligation regarding accuracy of representations to the IRS is best characterized as:

A. A continuing obligation applicable throughout the entire course of the representation
B. A one-time obligation satisfied entirely upon the initial engagement letter's signing
C. An obligation applicable only during a formally scheduled examination interview
D. An obligation applicable only to the practitioner's own personally signed tax returns

16. A practitioner's obligation to avoid representing conflicting interests without proper consent exists primarily to protect:

A. Only the practitioner's own personal financial interests in the engagement generally
B. Only the IRS's own administrative convenience in processing the underlying matter
C. The quality and independence of representation each affected client actually receives
D. Only the interests of the practitioner's other, entirely unrelated clients generally

17. A practitioner's obligation regarding the accuracy of a written tax opinion applies with particular force where the opinion:

A. Will likely be relied upon by the client in making a significant financial decision
B. Is prepared purely as an academic exercise with no client reliance ever intended
C. Addresses a matter the practitioner considers entirely trivial in significance
D. Is prepared at the specific request of an entirely unrelated third party

18. A practitioner's competence obligation under Section 10.35 is distinguishable from a mere malpractice standard in that Section 10.35:

A. Applies only in a formal private lawsuit brought by an aggrieved client
B. Requires proof of actual monetary damages the client genuinely suffered
C. Is enforced through IRS administrative sanction, not solely through private civil litigation
D. Applies only where the client has separately retained different legal counsel

19. A practitioner's decision to withdraw from representation mid-engagement due to a client's refusal to correct known false information should generally be:

A. Made silently, with no explanation or notice provided to the client whatsoever
B. Documented, with appropriate notice given to the client regarding the withdrawal
C. Reported directly and immediately to the IRS before notifying the client at all
D. Delayed indefinitely until the client eventually raises the topic independently

20. A practitioner's obligation to promptly submit records under Section 10.20 does NOT require:

A. Submitting records the practitioner actually possesses that were lawfully requested
B. Responding within a reasonable timeframe to a properly authorized request
C. Cooperating in good faith with a legitimate, properly scoped IRS inquiry
D. Creating records that did not previously exist simply to satisfy the specific request

21. A practitioner's Section 10.34 obligation regarding a position lacking even a reasonable basis generally requires the practitioner to:

A. Decline to sign the return reflecting that specific position or to advise taking it
B. Sign the return regardless, provided the client formally acknowledges the underlying risk
C. Disclose the position prominently and proceed to sign the return as usual
D. Refer the matter to IRS Criminal Investigation for further review

22. A practitioner's overall duty to the tax system, as distinguished from the duty to an individual client, is reflected in:

A. The practitioner's own personal right to charge whatever fee the market will bear
B. The practitioner's own personal right to decline any engagement without explanation
C. The prohibition against assisting a client in filing a knowingly false or fraudulent return
D. The practitioner's own personal right to advertise the firm's services broadly

23. A practitioner's obligation to maintain confidentiality of client information generally yields to:

A. A simple, informal request from any curious third party with no legal basis
B. A valid, properly authorized legal process compelling disclosure, such as a lawful subpoena
C. The practitioner's own personal curiosity about an unrelated matter
D. A competitor firm's informal request for competitive market information

24. A practitioner's obligation regarding a client's request to backdate a document is generally:

A. To comply automatically, since the client's own instructions always control fully
B. To decline the request, since backdating generally constitutes creating a false document
C. Irrelevant to Circular 230, since document dating is a purely administrative matter
D. Permitted so long as the underlying substantive content itself remains accurate

25. A practitioner's overall relationship with a client is best characterized, under Circular 230, as one involving:

A. Only a duty of loyalty to the client, with no other competing consideration
B. Only a duty to the tax system, with no loyalty owed to the client at all
C. No meaningful duty of any kind, since the relationship is treated as purely transactional
D. Both a duty of loyalty to the client and an independent duty of integrity to the tax system

26. A practitioner's suspension sanction generally applies to practice:

A. Before every possible governmental body at every level, federal and state alike
B. Only within the practitioner's own specific county of residence
C. Only for matters involving a dispute exceeding $100,000 in amount
D. Before the IRS specifically, not necessarily affecting an underlying separate state license

27. A practitioner's monetary penalty under Section 10.50, if unpaid, may generally result in:

A. Automatic forgiveness of the penalty after a fixed ninety-day period
B. No further consequence whatsoever, since the penalty is treated as purely advisory
C. Additional enforcement action by the government to collect the outstanding amount
D. Automatic conversion of the penalty into a formal criminal fine

28. A practitioner seeking reinstatement following a suspension that has already run its full course generally:

A. May resume practice automatically without a separate formal reinstatement petition
B. Must file the same extensive reinstatement petition disbarment reinstatement requires
C. May never resume practice again under any circumstances whatsoever
D. Must retake the full Special Enrollment Examination as a condition of resuming

29. A practitioner's obligation to disclose a conflict extends to conflicts the practitioner:

A. Reasonably should have recognized given the facts known, not only conflicts actually noticed
B. Never actually recognized under any circumstances, since only actual awareness matters
C. Recognized only after the representation had already fully and completely concluded
D. Recognized only if a client independently raised the issue first

30. A practitioner's overall approach to Circular 230 compliance is most effective when it reflects:

A. A purely reactive approach addressing issues only after a formal complaint is filed
B. Complete reliance on the firm's malpractice insurance carrier to manage all compliance
C. Minimal attention to compliance matters unless a client specifically raises a concern
D. Proactive attention to potential issues rather than purely reactive responses after problems arise

31. A practitioner's overall professional judgment in applying Circular 230 standards to a novel factual situation should generally be guided by:

A. Only the most literal, narrowest possible reading of the specific rule's text
B. The underlying purposes the relevant standard is designed to serve, not merely its literal text alone
C. Only the practitioner's own personal preference regarding the desired outcome
D. Only precedent from an entirely unrelated area of law with no genuine connection

32. A representative's Form 2848 authority generally terminates upon the taxpayer's:

A. Simple change of home address within the same U.S. state
B. Routine annual filing of the following year's tax return

C. Explicit written revocation of the authorization
D. Brief, temporary travel outside the country for vacation purposes

33. A power of attorney naming a representative who subsequently becomes ineligible to practice, such as through disbarment, generally:

A. Remains fully valid and effective despite the representative's changed eligibility status
B. Automatically transfers the authority to a different, unrelated representative instead
C. No longer authorizes that individual to represent the taxpayer before the IRS
D. Requires the taxpayer to pay an additional fee to the IRS to remain valid

34. A taxpayer's assessment statute of limitations generally does NOT toll during:

A. A pending offer in compromise under active IRS review
B. A Tax Court proceeding contesting a notice of deficiency
C. A period the taxpayer is continuously outside the U.S. for at least six months
D. An ordinary, uneventful period with no examination, litigation, or other recognized tolling event

35. A taxpayer's Form 872 extension is generally negotiated to cover:

A. An indefinite period with no specific agreed end date at all
B. A specific, mutually agreed period allowing both parties additional time to resolve the matter
C. A period determined unilaterally by the IRS with no taxpayer input whatsoever
D. A period identical in length for every taxpayer regardless of circumstances

36. The Internal Revenue Bulletin's cumulative bulletins are generally organized:

A. By year, compiling the individual weekly bulletins into a single annual reference
B. Alphabetically by the name of the affected taxpayer in each ruling
C. By the specific dollar amount at issue in each published ruling
D. Randomly, with no discernible organizational structure applied at all

37. A taxpayer's reliance on a Treasury Regulation later invalidated by a court decision generally:

A. Never supports any reasonable cause argument under any circumstances whatsoever
B. Automatically results in criminal liability regardless of the taxpayer's good faith
C. May still support reasonable cause for the period before the invalidation occurred
D. Is treated identically to reliance on an informal, non-precedential website FAQ

38. A taxpayer's position supported by a decision from the taxpayer's own governing circuit court of appeals generally carries:

A. No authoritative weight whatsoever outside of a formal Tax Court proceeding
B. Weight identical to an informal, non-precedential IRS website FAQ
C. Binding weight on every other circuit court nationwide as well
D. Strong authoritative weight within that specific circuit, though not necessarily nationwide

39. A taxpayer's genuine, good-faith uncertainty about a debatable legal question is most appropriately addressed through:

A. Simply guessing at the answer with no disclosure of any kind provided
B. Disclosure of the position on the return, consistent with Form 8275 practice
C. Deliberately omitting the item entirely from the return without any explanation
D. Providing knowingly false information to resolve the underlying uncertainty

40. A taxpayer's evasion, as opposed to avoidance, generally involves an affirmative act intended to:

A. Simply minimize tax liability through any method the taxpayer genuinely believes is legal
B. Disclose a debatable position transparently on the filed return itself
C. Seek professional advice from a qualified, licensed tax practitioner
D. Deceive the government about facts the taxpayer actually knows to be true

41. The Taxpayer Advocate Service's authority to issue a Taxpayer Assistance Order derives from:

A. Specific statutory authority Congress granted to the National Taxpayer Advocate
B. An informal internal IRS policy memorandum with no underlying statutory basis
C. A specific delegation from an individual revenue officer handling the case
D. A private contractual agreement between the taxpayer and the IRS

42. A taxpayer's Form 911 request generally should NOT be used to:

A. Address a documented, genuine immediate threat of adverse enforcement action
B. Address a documented, genuine systemic delay causing significant taxpayer harm
C. Bypass the normal administrative appeals process for a routine, non-hardship disagreement
D. Request assistance where normal IRS channels have already been unsuccessfully attempted

43. An Enrolled Agent's authority to represent a taxpayer generally requires:

A. A properly executed power of attorney authorizing that specific representation
B. No formal authorization of any kind, since EA status alone suffices automatically
C. A separate court order specifically approving the representation arrangement
D. The taxpayer's own attorney to formally co-sign the authorization document

44. A practitioner's preliminary assessment of a new engagement should generally include confirming:

A. Only the practitioner's own personal preference for the specific matter type
B. The identity of the actual client and the specific scope of the requested representation
C. Only the client's preferred meeting time for future consultations
D. Only the specific brand of the client's own personal computer equipment

45. A conflict check's documentation should generally be retained:

A. Nowhere at all, since retention of this specific documentation is unnecessary
B. Only for engagements that ultimately result in litigation
C. Only for the specific duration of the initial client intake meeting
D. As part of the practitioner's overall client and engagement records

46. A taxpayer's account transcript entry showing a specific penalty assessment generally includes:

A. Only a general narrative description with no specific code or date provided
B. Only the name of the specific IRS employee who happened to process it
C. The specific penalty code and the date the penalty was actually assessed
D. Only the taxpayer's overall lifetime total of all penalties ever assessed

47. A practitioner analyzing a taxpayer's ability to pay should generally compare actual expenses against:

A. The applicable Collection Financial Standards for the taxpayer's specific household size and location
B. Only the practitioner's own personal household budget and spending habits
C. Only a randomly selected comparable taxpayer's reported expenses
D. Only the national average household income figure for the current year

48. A requesting spouse's separation of liability relief request generally requires establishing:

A. The requesting spouse's total combined household income for the year at issue
B. The requesting spouse is divorced, widowed, legally separated, or has lived apart for the required period
C. The requesting spouse's specific occupation and current employer
D. The requesting spouse's total years of formal education completed

49. A practitioner's documentation supporting an Equitable Relief request should generally address the multi-factor test's consideration of:

A. Only the couple's original choice of wedding venue and related details
B. Whether the requesting spouse would suffer economic hardship and whether they knew of the item
C. Only the couple's shared taste in home decor and furnishings
D. Only the couple's preferred vacation destinations over the years

50. A practitioner's early assessment of potential criminal exposure should generally consider whether the client's conduct reflects:

A. A pattern suggesting willful concealment rather than an isolated, innocent mistake
B. Only the client's overall likability during the initial consultation meeting
C. Only the client's preferred method of communication going forward
D. Only the specific time of day the initial consultation happened to occur

51. A practitioner's referral of a client to criminal defense counsel should generally be made:

A. Only after the client has already been formally charged with a crime
B. Only if the client explicitly and specifically requests such a referral first
C. Promptly upon identifying genuine potential criminal exposure, rather than delayed
D. Never, since practitioners should always handle every aspect of a matter personally

52. A Kovel arrangement's structure generally requires the attorney to:

A. Have no involvement whatsoever in the accountant's specific work performed
B. Personally perform every task the accountant would otherwise perform
C. Report the accountant's work product directly to the IRS as it is completed
D. Actually direct and supervise the accountant's work in connection with the legal matter

53. A practitioner's case-building documentation regarding a disputed factual issue should generally include:

A. The specific evidence supporting the taxpayer's version of the facts

B. Only the practitioner's own personal opinion about which version is more likely true
C. Only a general summary with no specific supporting evidence identified at all
D. Only the opposing party's version of the facts with no taxpayer evidence included

54. A practitioner's overall preliminary case assessment should generally be revisited when:

A. Only if the client specifically requests a formal written reassessment in writing
B. Only at the very conclusion of the entire representation, retrospectively
C. Never, since the initial assessment is presumed to remain permanently accurate
D. New facts emerge that materially change the understanding of the matter

55. A practitioner's assessment of a collection case's viability for an offer in compromise should generally include estimating:

A. Only the taxpayer's personal, subjective opinion about what amount seems fair
B. Only the total original amount of the underlying tax liability itself
C. The taxpayer's likely Reasonable Collection Potential based on available financial information
D. Only the specific revenue officer's own personal negotiating reputation

56. A practitioner's obligation to maintain accurate case notes throughout a representation serves primarily to:

A. Satisfy a purely bureaucratic formality with no genuine practical value whatsoever
B. Support consistent, well-informed representation and provide a defensible record if needed
C. Increase the total number of billable hours the practitioner can charge the client
D. Impress the client with the sheer physical volume of documentation generated

57. A practitioner's decision to decline representation in a matter presenting significant, genuine ethical concerns is generally:

A. A violation of an implied duty to represent any client who requests assistance

B. Relevant only if the client formally complains about the specific decision made
C. A legitimate exercise of professional judgment consistent with Circular 230's standards
D. Permitted only if the practitioner provides a specific alternative referral

58. A practitioner's case file organization for a complex, multi-issue examination should generally allow:

A. Only a single, undifferentiated file with no issue-specific organization at all
B. Quick retrieval of documentation specific to each individual contested issue
C. Only chronological organization with no issue-based categorization whatsoever
D. Only organization by the specific IRS employee handling each individual issue

59. A practitioner's overall case-building strategy should generally balance:

A. Only the practitioner's own personal preference for exhaustive documentation regardless of cost
B. Only the client's stated preference for the fastest possible resolution regardless of quality
C. Only the IRS's own internal administrative processing preferences and convenience
D. Thoroughness in fact development against the practical time and cost constraints of the matter

60. A practitioner's case-building process ultimately serves the goal of:

A. Presenting the taxpayer's position as accurately and persuasively as the facts genuinely allow
B. Generating the maximum possible volume of paper documentation regardless of relevance
C. Satisfying the practitioner's own personal curiosity about the underlying matter
D. Delaying the underlying matter's resolution for as long as practically possible

61. A taxpayer's Form 1127 request denied by the IRS generally leaves the taxpayer with the option to:

A. No further option whatsoever, since denial forecloses all payment relief entirely
B. Automatically qualify for an offer in compromise regardless of other circumstances
C. File an immediate Tax Court petition specifically contesting the denial itself

D. Pursue an installment agreement or other collection alternative instead

62. A taxpayer's guaranteed installment agreement, once granted, generally cannot be:

A. Unilaterally modified by the IRS absent a genuine change in the taxpayer's circumstances
B. Paid off early by the taxpayer ahead of the original agreed schedule
C. Converted into a different agreement type if the taxpayer's circumstances later change
D. Terminated if the taxpayer subsequently fails to file a later required return

63. A Doubt as to Collectibility offer's evaluation generally weighs the taxpayer's:

A. Only the taxpayer's total gross lifetime earnings to date, with no other factor
B. Only the taxpayer's personal credit score from a private credit bureau
C. Net realizable equity in assets alongside future income-earning capacity
D. Only the taxpayer's subjective personal opinion of what seems like a fair settlement

64. A taxpayer's offer in compromise submitted with an incomplete financial statement generally results in:

A. Automatic acceptance of the offer despite the incomplete financial disclosure provided
B. The offer being returned as incomplete, without the appeal rights attached to an actual rejection
C. Immediate criminal referral regardless of the underlying circumstances involved
D. No consequence whatsoever, since financial statement completeness is treated as optional

65. A taxpayer's lien withdrawal request should generally identify:

A. Only the taxpayer's general personal dissatisfaction with the underlying tax liability itself
B. Only the specific date the original lien was filed with no further explanation
C. The specific basis supporting withdrawal, such as facilitating collection or the taxpayer's best interests
D. Only the taxpayer's overall combined net worth across all owned property

66. A levy on a taxpayer's Social Security disability benefits is generally subject to:

A. No exemption of any kind whatsoever, unlike other categories of Social Security benefits
B. A complete, absolute prohibition against levy under any circumstances at all
C. A requirement that the Social Security Administration separately approve the levy first
D. The same specific statutory exemption principles applicable to other Social Security benefit levies

67. A taxpayer's Currently Not Collectible status, when combined with a CSED close at hand, may functionally result in:

A. The debt effectively expiring uncollected once the collection statute actually runs
B. An automatic, formal settlement identical in every respect to an accepted offer in compromise
C. Permanent extension of the collection statute for as long as CNC status remains in effect
D. Automatic conversion of the CNC status into a formal installment agreement instead

68. A taxpayer's Collection Appeals Program request regarding a levy already issued generally must be filed:

A. At any time whatsoever, since CAP requests carry absolutely no timing considerations
B. Before the levy proceeds are actually applied, or according to the specific applicable timing rules
C. Only after a full calendar year has elapsed since the levy was originally issued
D. Only after the taxpayer has already fully paid the entire underlying liability

69. A TFRP assessment against a responsible person generally becomes final if the person:

A. Simply disagrees informally without formally responding through the proper channels
B. Does not timely respond to the proposed assessment notice within the applicable window
C. Requests additional time to gather supporting documentation for a response
D. Consults with a representative before formally responding to the notice

70. A practitioner representing multiple potentially responsible persons at the same business regarding a TFRP matter should generally evaluate:

A. Only which individual has the largest personal net worth among those involved
B. Only which individual has been with the company for the longest tenure
C. Only which individual is personally most cooperative with the practitioner
D. Whether a genuine conflict of interest exists given each person's potentially divergent interests

71. A practitioner's Section 7525 privilege claim may be waived by:

A. Voluntarily disclosing the otherwise privileged communication to an unrelated third party
B. Simply asserting the privilege formally in a written filing with the IRS
C. Discussing the general nature of the engagement without revealing specific advice given
D. Retaining the communication securely within the practitioner's own case file

72. A taxpayer's Cohan-based estimate is most likely to be accepted where the taxpayer can show:

A. Only that the taxpayer generally believes such expenses are commonly incurred by others
B. Only that the expense category is generally recognized as deductible in principle
C. Credible evidence the expense was genuinely incurred, even without an exact receipt
D. Only that the taxpayer would prefer a higher deduction amount if permitted

73. A practitioner's review of an examiner's proposed adjustments should generally distinguish between:

A. Issues with strong supporting documentation and issues where the taxpayer's position is genuinely weaker
B. Only issues the taxpayer personally finds interesting versus those the taxpayer finds boring
C. Only issues involving round dollar amounts versus those involving specific odd amounts
D. Only issues raised early in the examination versus those raised later in the process

74. A taxpayer's response to a 30-day letter that concedes some issues while contesting others should generally:

A. Avoid specifying anything at all, leaving the entire response deliberately ambiguous
B. Clearly identify which specific issues are conceded and which are being contested
C. Concede every single issue automatically to avoid the additional burden of an Appeals conference
D. Contest every single issue automatically regardless of each issue's actual individual merit

75. A CP-2000 notice's proposed adjustment that a taxpayer disputes in part should generally be addressed by:

A. Ignoring the entire notice until the IRS follows up with additional correspondence
B. Paying the entire proposed amount to avoid any further correspondence with the IRS
C. Responding specifically to each disputed item with supporting documentation for that item
D. Disputing the entire notice broadly without addressing any specific individual item

76. A taxpayer's Tax Court petition contesting a notice of deficiency should generally be filed with:

A. The IRS office that originally issued the notice of deficiency
B. The taxpayer's own local state court with general jurisdiction
C. The Taxpayer Advocate Service rather than any court
D. The United States Tax Court itself, following the court's own specific filing procedures

77. A taxpayer's Appeals conference presentation regarding a factual dispute should generally include:

A. Witness statements, documentation, or other evidence supporting the taxpayer's version of events
B. Only the taxpayer's own unsupported personal assertion with no further corroboration provided
C. Only a general statement that the examiner was simply mistaken, with no further detail
D. Only a request that the Appeals Officer take the taxpayer's word at face value

78. A taxpayer's decision to accept an Appeals hazards-of-litigation settlement should generally consider:

A. Only whether the settlement happens to be presented on a specific day of the week
B. Only the specific physical location where the Appeals conference took place
C. Whether the proposed settlement reasonably reflects the actual relative strength of each side's position
D. Only whether the taxpayer's representative personally enjoyed the negotiation process

79. A taxpayer's small tax case election should generally be reconsidered where:

A. The taxpayer simply prefers a shorter overall proceeding regardless of the issues involved
B. The disputed dollar amount happens to fall well under the applicable threshold
C. The taxpayer's representative has previously handled a small tax case before
D. The specific legal issue involved is genuinely novel and appellate clarity would be valuable

80. A taxpayer's formal written protest should generally be reviewed by the practitioner before submission to confirm:

A. Only that the document's total page count falls within a specific preferred range
B. Every factual assertion is accurate and properly supported by the available documentation
C. Only that the document uses a specific font the practitioner personally prefers
D. Only that the document was printed on a specific brand of paper stock

81. A taxpayer's Appeals settlement reached through Post-Appeals Mediation is generally documented through:

A. No formal documentation of any kind, since mediation outcomes are treated as informal only
B. A binding arbitration award issued directly by the mediator
C. A closing agreement or other appropriate settlement documentation memorializing the resolution
D. A separate, entirely new Tax Court petition filed by the taxpayer

82. A taxpayer's decision to pursue Appeals rather than immediately proceeding to Tax Court litigation generally reflects consideration of:

A. Appeals' typically faster, less formal, and often more favorable settlement environment
B. Only the specific courthouse's physical distance from the taxpayer's home
C. Only the taxpayer's own personal preference for the word "Appeals" in the process name
D. Only whether the taxpayer's representative has ever personally appeared in Tax Court

83. A taxpayer's Appeals conference outcome resulting in a partial concession by both sides generally reflects:

A. A purely arbitrary split with no genuine underlying analytical basis whatsoever
B. An automatic default rule the IRS applies to every single disputed case
C. A clerical error in properly calculating the correct final resolution amount
D. A hazards-of-litigation compromise recognizing genuine uncertainty on the specific issue

84. A practitioner's overall approach to Appeals representation should generally prioritize:

A. Volume of arguments raised regardless of each individual argument's actual underlying merit
B. Credibility and thorough preparation over aggressive, unsupported advocacy for every position
C. Speed of the presentation over the genuine thoroughness of the underlying preparation
D. The practitioner's own personal reputation rather than the taxpayer's actual best interests

85. A preparer's software-generated calculation is only as reliable as:

A. The specific brand name and marketing reputation of the software company itself
B. The total price the preparer originally paid for the software license
C. The accuracy and completeness of the underlying data the preparer actually entered
D. The specific number of years the software product has been on the market

86. A preparer's duplicate entry error caught during final review should generally be corrected by:

A. Leaving both entries in place and simply noting the discrepancy in an internal memo
B. Removing both entries entirely, eliminating the income from the return altogether
C. Adding a third entry to average out the two conflicting figures already present
D. Removing the duplicate and confirming the income is reflected accurately exactly once

87. A preparer's Section 6107(b) obligation applies to returns prepared for compensation, which generally includes:

A. Only returns where the fee charged exceeds a specific minimum dollar threshold
B. A modest fee as well as a substantial fee, both qualifying as compensation for this purpose
C. Only returns prepared for a client the preparer has served for multiple years
D. Only returns involving a business entity rather than an individual taxpayer

88. A preparer's data security incident response plan should generally address:

A. Steps to take if client information is actually compromised, including client notification
B. Only steps relevant to the preparer's own internal marketing strategy planning
C. Only steps relevant to the preparer's own personal continuing education tracking
D. Only steps relevant to the firm's overall annual holiday party scheduling

89. An IRS e-file Application's suitability check may result in denial where the applicant:

A. Simply prefers a specific tax preparation software brand over another available option
B. Has been in business for fewer than a specific minimum number of years
C. Has a documented history of significant tax noncompliance relevant to program participation
D. Operates from a home office rather than a separate, standalone commercial office

90. A firm's e-file Provider status generally must be updated when the firm:

A. Experiences a material change to the information originally submitted on the application
B. Simply hires a new receptionist with no change to the firm's substantive information
C. Purchases new office furniture unrelated to any change in substantive application information
D. Renews its office lease at the exact same physical location as before

91. A preparer's obligation regarding the e-file mandate applies specifically to:

A. Every conceivable type of federal tax filing without any exception whatsoever
B. Covered individual income tax returns, as defined under the applicable IRS guidance
C. Only returns the preparer personally considers administratively convenient to e-file
D. Only returns for clients who have specifically requested electronic filing themselves

92. A preparer's Form 8948 should generally be completed:

A. With deliberately vague, generic language to minimize the preparer's own administrative burden
B. Only if the preparer has significant extra time available during the filing season
C. Only after the IRS has specifically requested the form be submitted separately
D. Accurately and completely, identifying the specific applicable exception being claimed

93. A preparer's Form 8944 hardship waiver, once approved, generally does NOT:

A. Provide relief specifically from the electronic filing mandate for covered returns
B. Require the preparer to attach Form 8948 to each covered paper-filed return
C. Exempt the preparer from all other applicable Circular 230 obligations entirely
D. Cover only the specific scope and period the actual approval specifies

94. A taxpayer's Form 8879 authorization becomes invalid if the underlying return is materially altered:

A. At any point whatsoever, since return alterations never affect a prior signature's validity
B. After the taxpayer signed but before the ERO actually transmits the return
C. Only if the alteration specifically increases the taxpayer's resulting refund amount

D. Only if the alteration specifically decreases the taxpayer's resulting refund amount

95. A preparer's retention of Form 8879 should generally be organized to allow:

A. Maximum physical storage space consumption regardless of any genuine organizational benefit
B. The preparer's own convenience in discarding older, no-longer-relevant records promptly
C. Sharing the retained forms freely and openly with any unrelated third party requesting them
D. Efficient retrieval if the IRS later requests verification of a specific return's authorization

96. A preparer's use of Form 8453 for a specific required document should generally be confirmed by reviewing:

A. The current tax year's official IRS instructions specifically addressing this requirement
B. A general internet search with no verification of the source's actual current accuracy
C. The preparer's own unverified recollection from several tax seasons in the past
D. An informal conversation with an unrelated colleague at a different, separate firm

97. A rejected return's perfection period generally applies to corrections that are:

A. Delayed indefinitely with no genuine urgency shown by the preparer or taxpayer
B. Made without any actual correction to the specific underlying rejection reason at all
C. Submitted using an entirely different taxpayer's information by mistake
D. Made promptly and result in an accurate, properly corrected retransmission

98. A preparer's response to a client's identity theft-related rejection should generally avoid:

A. Advising the client on the IRS's own identity theft affidavit process
B. Discussing the potential value of an Identity Protection PIN going forward
C. Simply retransmitting the identical return without addressing the underlying identity concern
D. Documenting the specific steps taken to address the client's situation

99. A preparer's overall e-file compliance training for firm staff should generally cover:

A. Only general customer service skills unrelated to any specific e-file compliance topic
B. EFIN safeguarding, proper signature authorization sequencing, and current mandate requirements
C. Only the firm's own internal billing software unrelated to e-file compliance specifically
D. Only unrelated general office etiquette and workplace conduct expectations

100. An e-file Provider's overall commitment to compliance ultimately benefits:

A. The Provider, its clients, and the broader integrity of the electronic filing system generally
B. Only the Provider's own narrow, immediate short-term business interests exclusively
C. Only the IRS's own narrow internal administrative processing interests exclusively
D. Only a single specific taxpayer's own isolated personal interests exclusively

Practice Exam 8: Answer Key and Explanations

1. A — A—An enrollment number identifies the specific practitioner within the IRS's own internal enrollment records system, distinguishing that individual from every other enrolled practitioner nationwide. It does not itself calculate any fee assessment, does not assign or restrict any specific geographic territory, and does not rank practitioners by years of experience.

2. D — D—Renewal cycles are staggered based on the last digit of the practitioner's Social Security number, following the IRS's own established renewal schedule for Enrolled Agents. This is not determined by the practitioner's state of residence, is not based on personal renewal-month preference, and is unrelated to the firm's own establishment date.

3. B — B—Continuing education hours must generally come from an IRS-approved provider for those specific hours to properly count toward the practitioner's actual renewal requirement. Any organization regardless of approval status does not qualify, a bar association is not required even for attorneys generally, and exclusively internal firm-only training does not itself satisfy this requirement.

4. C — C—The ethics-hours requirement reinforces ongoing awareness of Circular 230 standards and evolving professional responsibility issues practitioners should stay current on. It is not a purely arbitrary requirement lacking substantive purpose, is not primarily designed to generate provider revenue, and does not replace the separate need for substantive tax-law continuing education.

5. A — A—Failing to maintain a current address can result in missed communications from the IRS or OPR that could genuinely affect the practitioner's own standing or awareness of pending matters. This is not consequence-free since address updates are not merely optional, does not trigger automatic immediate disbarment, and does not automatically convert enrollment status.

6. C — C—Due diligence requires a reasonable inquiry specifically where a casualty loss claim appears genuinely questionable given the facts, not blanket independent government verification of everything. Independent verification of every claim, automatic disallowance above an arbitrary amount, and no inquiry at all under any circumstances all misstate this reasonable-inquiry standard the rule actually requires.

7. B — B—The Section 10.21 obligation is triggered by actual knowledge of noncompliance based on information reasonably available during the engagement, not mere unsupported suspicion. Unsupported suspicion alone does not trigger it, an unrelated third party's unverified rumor does not itself establish actual knowledge, and the obligation applies during, not only after, the engagement.

8. D — D—A contingent fee for Appeals representation is generally permitted, falling within the recognized exceptions to the general contingent fee prohibition Section 10.27 establishes. It is not prohibited requiring only a fixed hourly fee, carries no minimum dollar threshold requirement, and is not restricted to attorneys, applying equally to Enrolled Agents under the applicable rules.

9. A — A—A fee reflecting genuine specialized expertise is permitted, provided the overall fee remains reasonable given the actual complexity of the specific matter being handled. It is not automatically unconscionable simply for exceeding a generalist's typical rate, is not prohibited outright, and does not require the client to hold any particular educational credential.

10. D — D—Truthfully describing the firm's specific practice focus areas is generally permitted, since accurate, non-misleading advertising is generally allowed under Circular 230's advertising standards generally. Describing practice focus is not categorically banned, does not require listing every conceivable area the firm handles, and carries no minimum firm-size requirement to be permissible.

11. C — C—This specific conflict analysis evaluates whether confidential information obtained during the prior representation could improperly affect or inform the current adverse matter. Prior revenue generated, the mere passage of time since conclusion, and the former client's subsequent relocation are not themselves the substantive factors this particular evaluation actually turns on.

12. B — B—Written consent should generally be obtained before proceeding with a conflicted representation, not merely after the fact once the engagement is already well underway. Timing is not immaterial and consent obtained after the fact is far weaker, consent is not conditioned on later demonstrable harm occurring, and it should come from all affected clients, not only the eventual prevailing one.

13. B — B—Periodic review ensures the firm's compliance procedures remain genuinely adequate given evolving firm operations or changes in the applicable Circular 230 rules over time. This review is not a purely symbolic formality lacking substantive purpose, is not intended to justify billing rate increases, and is not intended to reduce staffing levels.

14. D — D—Section 10.51(a)(4) can apply to false statements made in connection with a broad range of IRS matters generally, including examinations, offers in compromise, and beyond. It is not limited only to criminal prosecution proceedings, is not limited only to matters already in Tax Court, and carries no minimum dollar threshold limiting its application.

15. A — A—This accuracy obligation is a continuing one, applicable throughout the entire course of the representation rather than satisfied by any single initial event. It is not a one-time obligation satisfied by the engagement letter alone, is not limited to formal examination interviews, and extends beyond only the practitioner's own personally signed returns.

16. C — C—This obligation exists primarily to protect the quality and independence of representation each affected client actually receives, preventing divided loyalty from compromising service. It does not exist primarily to protect the practitioner's own financial interests, is not about IRS administrative convenience, and is not about protecting unrelated clients' separate interests.

17. A — A—Accuracy obligations for a written opinion apply with particular force where the client will likely rely on it in making a genuinely significant financial decision. A purely academic exercise with no intended reliance, a matter the practitioner considers trivial, and a request from an unrelated third party do not carry this same heightened significance.

18. C — C—Section 10.35 competence is enforced through IRS administrative sanction via OPR, distinct from a private civil malpractice claim requiring separate litigation in court. It does not apply only within a private lawsuit, does not require proof of actual monetary damages suffered, and does not depend on the client separately retaining other counsel.

19. B — B—A withdrawal under these circumstances should be properly documented, with appropriate notice actually given to the client explaining the withdrawal, protecting both parties' interests fully. Withdrawing silently with no explanation, reporting to the IRS before notifying the client, and indefinitely delaying withdrawal all fail to reflect appropriate professional practice here.

20. D — D—Section 10.20 does not require creating records that did not previously exist merely to satisfy a specific request; the obligation covers existing records only. It does require submitting existing records that were lawfully requested, responding within a reasonable timeframe, and cooperating in good faith with a legitimate, properly scoped inquiry.

21. A — A—A position lacking even a reasonable basis falls below Section 10.34's minimum threshold, and the practitioner should decline to sign the return or advise taking that position at all. Client acknowledgment of risk does not cure this deficiency, disclosure alone does not cure a position lacking reasonable basis, and criminal referral is not the applicable response.

22. C — C—The prohibition against assisting in a knowingly false or fraudulent filing reflects the practitioner's independent duty to the broader tax system, distinct from pure client advocacy alone. The practitioner's rights to set fees, decline engagements, or advertise broadly are personal professional prerogatives, not themselves examples of this specific systemic duty.

23. B — B—Confidentiality obligations generally yield to valid, properly authorized legal process compelling disclosure, such as a lawful subpoena issued through appropriate channels. They do not yield to an informal request from a curious third party with no legal basis, the practitioner's own curiosity, or a competitor's informal request for market information.

24. B — B—A practitioner should decline a backdating request, since backdating a document generally constitutes creating a false document regardless of the underlying substantive accuracy. Automatic compliance based on client instructions is not appropriate here, this is not a purely administrative matter outside Circular 230's concern, and substantive accuracy does not excuse a false date.

25. D — D—The practitioner-client relationship under Circular 230 involves both genuine loyalty to the client and an independent, simultaneous duty of integrity toward the broader tax system. It is not loyalty to the client alone with no competing consideration, is not duty to the system alone with no client loyalty, and is not a purely transactional relationship.

26. D — D—A Circular 230 suspension applies to practice before the IRS specifically, and does not necessarily affect a separate underlying state professional license the practitioner may hold. It does not apply to every governmental body at every level, is not limited to a specific county, and carries no minimum dollar threshold requirement.

27. C — C—An unpaid Section 10.50 penalty may result in additional government enforcement action to collect the genuinely outstanding amount owed, a real financial obligation. It is not automatically forgiven after ninety days, does not carry no further consequence since it is not merely advisory, and is not automatically converted into a separate criminal fine.

28. A — A—A practitioner whose suspension has fully run its course may generally resume practice automatically, without needing the more extensive formal reinstatement petition disbarment requires afterward. This is not the same extensive process disbarment reinstatement demands, practice can genuinely resume, and retaking the full SEE is not a standard suspension-completion requirement.

29. A — A—The disclosure obligation extends to conflicts a practitioner reasonably should have recognized given the facts actually known, not merely conflicts actually and consciously noticed. It is not limited only to conflicts genuinely never recognized, is not limited to post-conclusion recognition, and does not depend on the client raising the issue first.

30. D — D—Effective Circular 230 compliance reflects proactive attention to potential issues before they escalate, rather than a purely reactive approach addressing problems only after they arise. A purely reactive approach, complete reliance on an insurance carrier, and minimal attention absent a client-raised concern all fall short of genuinely effective compliance practice.

31. B — B—Sound professional judgment in a novel situation should be guided by the underlying purposes the relevant standard is designed to serve, not merely the narrowest literal text. Reading only the narrowest literal text, relying only on personal outcome preference, and relying on unrelated precedent all risk missing the standard's genuine underlying intent.

32. C — C—A representative's authority generally terminates upon the taxpayer's explicit written revocation, the clearest and most direct way authority formally ends before its natural conclusion occurs. A simple in-state address change, routine annual filing, and brief vacation travel abroad do not themselves terminate an otherwise validly executed power of attorney document.

33. C — C—Once a named representative becomes ineligible to practice, such as through disbarment, the power of attorney no longer authorizes that individual to represent the taxpayer. It does not remain fully valid despite the changed eligibility, does not automatically transfer to a different representative, and requires no additional fee payment to the IRS.

34. D — D—The assessment statute does not toll during an ordinary period with no pending offer, litigation, or other recognized tolling event actually occurring during that time. It does toll during a pending offer in compromise, during Tax Court litigation, and during a continuous six-month-plus absence from the United States, all recognized tolling events.

35. B — B—A Form 872 extension is negotiated to cover a specific, mutually agreed period, giving both the taxpayer and IRS additional time to work toward resolving the matter fully. It is not an indefinite period with no end date, is not determined unilaterally without taxpayer input, and is not a fixed period identical for every taxpayer's situation.

36. A — A—Cumulative bulletins are generally organized by year, compiling the individual weekly bulletins into a single consolidated annual reference volume for that year. They are not organized alphabetically by taxpayer name, since rulings are generally not taxpayer-specific in this way, are not organized by dollar amount, and are not randomly organized.

37. C — C—Reliance on a regulation later invalidated may still support reasonable cause for the period before invalidation, since the regulation carried genuine authoritative weight at that time. It does not never support reasonable cause, does not automatically create criminal liability, and is not treated identically to relying on a merely informal, non-precedential FAQ.

38. D — D—A decision from the taxpayer's own governing circuit carries strong authoritative weight within that specific circuit, though it does not necessarily bind other circuits nationwide. It is not without authoritative weight outside Tax Court specifically, is not equivalent to an informal FAQ's weight, and is not binding on every other circuit.

39. B — B—Genuine good-faith uncertainty about a debatable legal question is most appropriately addressed through transparent disclosure, consistent with recognized Form 8275 practice, rather than concealment of any kind. Simply guessing with no disclosure, deliberately omitting the item without explanation, and providing knowingly false information are all inappropriate responses to legitimate uncertainty.

40. D — D—Evasion involves an affirmative act intended to deceive the government about facts the taxpayer actually knows to be true, the defining hallmark of unlawful evasion generally. Genuinely believing a method is legal, transparently disclosing a debatable position, and seeking qualified professional advice are all hallmarks of legitimate avoidance, not evasion.

41. A — A—TAO authority derives from specific statutory authority Congress granted to the National Taxpayer Advocate, giving this authority genuine legal force rather than mere informal policy. It does not derive from an informal internal memo lacking statutory basis, is not delegated from an individual revenue officer, and is not based on any private contractual agreement.

42. C — C—Form 911 should not be used to bypass the normal appeals process for a routine disagreement lacking genuine hardship, since TAS is reserved for hardship situations specifically. It is appropriately used for a genuine immediate threat of adverse action, a genuine systemic delay causing harm, and situations where normal channels have already been unsuccessfully tried.

43. A — A—An EA's authority to represent a specific taxpayer generally requires a properly executed power of attorney authorizing that particular representation, not automatic authority from EA status alone. EA status alone does not suffice without proper authorization, no court order is required, and no co-signature from the taxpayer's own attorney is needed.

44. B — B—A proper preliminary assessment confirms the actual client's identity and the specific scope of the representation being requested, foundational threshold matters for any engagement. The practitioner's own personal preference for matter type, meeting time preferences, and the client's computer brand are not themselves the substantive factors this assessment should focus on.

45. D — D—Conflict check documentation should be retained as part of the practitioner's overall client and engagement records, supporting a reliable record regardless of the matter's outcome. It should not go unretained, should not be retained only for matters resulting in litigation, and should not be discarded after merely the initial intake meeting.

46. C — C—An account transcript's penalty entry generally includes the specific penalty code and the actual date the penalty was assessed, precise identifying details supporting further analysis. It does not provide only a vague general narrative, does not identify the specific processing employee, and does not show only an aggregate lifetime total figure.

47. A — A—A proper ability-to-pay analysis compares actual expenses against the applicable Collection Financial Standards tailored to the taxpayer's specific household size and geographic location precisely. The practitioner's own personal budget, a randomly selected comparable taxpayer, and the national average income figure are not themselves the correct comparative benchmark for this analysis.

48. B — B—Separation of liability relief requires establishing the requesting spouse is divorced, widowed, legally separated, or has lived apart from the other spouse for the required period. Total combined household income, the requesting spouse's occupation, and years of formal education are not themselves the required threshold elements this specific relief category demands.

49. B — B—Proper documentation carefully addresses the multi-factor equitable test's own actual considerations, including potential economic hardship and the requesting spouse's knowledge of the underlying item at issue itself. Wedding venue choice, shared home decor taste, and vacation preferences are not themselves the substantive factors this specific multi-factor equitable test actually considers.

50. A — A—A sound early assessment considers whether the client's conduct reflects a genuine pattern suggesting willful concealment, as opposed to an isolated, genuinely innocent mistake. The client's likability, preferred communication method, and the specific time of the consultation are not themselves the substantive factors this critical early assessment should focus on.

51. C — C—A referral should be made promptly upon identifying genuine potential criminal exposure, rather than delayed until charges are filed or the client happens to request it. Waiting for formal charges, waiting for the client's explicit request, and never referring at all despite genuine exposure all risk serious harm to the client's interests.

52. D — D—A proper Kovel arrangement requires the attorney to genuinely direct and supervise the accountant's work in connection with the underlying legal matter, not remain uninvolved. The attorney is not uninvolved in the accountant's work, does not personally perform every task instead of the accountant, and does not report the work product to the IRS.

53. A — A—Proper documentation for a disputed factual issue includes the specific evidence actually supporting the taxpayer's version of events, not merely opinion or an unsupported general summary. The practitioner's personal opinion alone, a vague general summary with no specifics, and including only the opposing version are all insufficient substitutes for this evidentiary documentation.

54. D — D—A sound preliminary assessment should be revisited whenever new facts emerge that materially change the practitioner's understanding of the underlying matter. It should not be revisited only upon a specific written client request, only retrospectively at the engagement's conclusion, or never at all under an assumption of permanent initial accuracy.

55. C — C—A proper offer viability assessment carefully estimates the taxpayer's likely Reasonable Collection Potential based on the actual available financial information, the substantive analytical foundation genuinely needed. The taxpayer's own subjective fairness opinion, the original liability amount alone, and the specific officer's reputation are not themselves this analysis's proper substantive basis.

56. B — B—Accurate case notes primarily support consistent, well-informed representation over time and provide a defensible record of the practitioner's work if later questioned. This is not a purely bureaucratic formality lacking practical value, is not intended to inflate billable hours, and is not intended merely to impress the client with documentation volume.

57. C — C—Declining representation in a matter presenting genuine ethical concerns is a legitimate exercise of professional judgment fully consistent with Circular 230's overall standards. There is no implied duty to represent any and every client, the decision's legitimacy does not depend on a client complaint, and no specific alternative referral is required.

58. B — B—Effective organization for a complex, multi-issue examination generally allows quick retrieval of documentation specific to each individual contested issue as the matter genuinely develops over time. A single undifferentiated file, purely chronological organization with no issue categorization, and organization solely by IRS employee assignment all undermine efficient case management here.

59. D — D—A sound case-building strategy balances genuine thoroughness in fact development against the practical time and cost constraints reasonably applicable to the specific matter at hand. Pursuing only exhaustive documentation regardless of cost, only the fastest resolution regardless of quality, and only IRS administrative convenience all fail to reflect this necessary balance.

60. A — A—Case-building ultimately serves presenting the taxpayer's position as accurately and persuasively as the actual underlying facts genuinely allow, the core purpose of this entire ongoing work overall. It does not aim to maximize paper volume regardless of relevance, satisfy mere practitioner curiosity, or delay resolution indefinitely without genuine strategic purpose.

61. D — D—A denied Form 1127 request leaves the taxpayer with other available options, such as pursuing an installment agreement or another appropriate collection alternative instead. Denial does not foreclose all payment relief entirely, does not automatically qualify the taxpayer for an offer in compromise, and does not itself create Tax Court jurisdiction over the denial.

62. A — A—Once granted, a guaranteed agreement generally cannot be unilaterally modified by the IRS absent a genuine change in the taxpayer's underlying circumstances, providing reasonable stability. It can be paid off early by the taxpayer, can be converted to a different type if circumstances change, and can be terminated for a later filing failure.

63. C — C—A DATC offer's evaluation weighs the taxpayer's net realizable equity in assets alongside genuine future income-earning capacity, the two core components of RCP. Total lifetime gross earnings alone, a private credit score, and the taxpayer's own subjective fairness opinion are not themselves the proper analytical basis for this specific evaluation process.

64. B — B—An incomplete offer is generally returned as incomplete, without triggering the appeal rights that attach specifically to an actual rejection on the substantive merits. It does not result in automatic acceptance despite incompleteness, does not trigger criminal referral, and completeness is not treated as merely optional under the applicable OIC submission requirements.

65. C — C—A proper withdrawal request identifies the specific basis supporting withdrawal, such as demonstrating it will facilitate collection or otherwise serve recognized best interests. General dissatisfaction with the liability itself, merely the filing date with no explanation, and total combined net worth are not themselves the substantive content this request should focus on.

66. D — D—A levy on disability benefits is generally subject to the same specific statutory exemption principles applicable to other categories of Social Security benefits subject to levy. It is not treated as having no exemption unlike other benefits, is not absolutely prohibited under all circumstances, and requires no separate Social Security Administration approval.

67. A — A—Where the CSED is close at hand, CNC status may functionally result in the debt effectively expiring uncollected once the collection statute actually runs its course. This is not a formal settlement identical to an accepted offer, does not permanently extend the collection statute, and does not automatically convert into a formal installment agreement.

68. B — B—A CAP request regarding an already-issued levy is generally subject to specific applicable timing considerations, rather than carrying no timing rules whatsoever. It is not available at any time with no timing considerations, does not require waiting a full year after the levy, and does not require the liability to already be fully paid.

69. B — B—A TFRP assessment generally becomes final if the responsible person fails to timely respond to the proposed assessment notice within the applicable response window. Merely disagreeing informally without a formal response does not itself preserve rights, and requesting more time or consulting a representative before responding are both legitimate, appropriate steps.

70. D — D—Representing multiple potentially responsible persons requires evaluating whether a genuine conflict of interest exists, since their interests regarding shared TFRP liability may genuinely diverge sharply. Comparing net worth, tenure, or personal cooperativeness are not themselves the substantive factors this critical conflict evaluation should actually focus on when assessing the situation.

71. A — A—Section 7525 privilege can be waived by voluntarily disclosing the otherwise privileged communication to an unrelated third party, breaking the confidentiality the privilege depends upon. Formally asserting the privilege, discussing only the general engagement nature without revealing specific advice, and securely retaining the communication do not themselves waive the privilege.

72. C — C—A Cohan estimate is most likely accepted where the taxpayer shows credible evidence the specific expense was genuinely incurred, even absent an exact receipt for the precise amount. A general belief that others commonly incur such expenses, mere recognition that the category is generally deductible, and simple preference for a higher deduction do not themselves support acceptance.

73. A — A—A proper review distinguishes between issues with strong supporting documentation and issues where the taxpayer's position is genuinely weaker, guiding an effective overall response strategy forward. Distinguishing by the taxpayer's personal interest level, round versus odd dollar amounts, or timing within the examination are not themselves meaningful analytical distinctions to make.

74. B — B—An effective mixed response clearly and specifically identifies which specific issues are conceded and which are being contested through Appeals, avoiding unhelpful ambiguity in the overall presentation made. Deliberately leaving the response ambiguous, conceding everything automatically, and contesting everything automatically regardless of merit all fail to reflect this issue-by-issue clarity needed.

75. C — C—A partially disputed CP-2000 should be addressed by responding specifically to each disputed item with the supporting documentation relevant to that particular item raised. Ignoring the notice entirely, paying the full amount despite genuine disagreement, and broadly disputing without addressing specific items are all inadequate, less effective responses to take.

76. D — D—A Tax Court petition is properly filed with the United States Tax Court itself, following that court's own specific established filing procedures and requirements. It is not filed with the IRS office that issued the notice, is not filed with a state court lacking federal tax jurisdiction, and is not filed with TAS.

77. A — A—An effective factual-dispute presentation includes actual supporting evidence, such as witness statements or documentation, corroborating the taxpayer's specific version of the events at issue. An unsupported personal assertion alone, a vague statement the examiner was simply mistaken, and a bare request to be taken at face value are all insufficiently persuasive.

78. C — C—This decision should consider whether the proposed settlement reasonably reflects the actual relative strength of each side's position on the specific issues involved. The day of the week, the conference's physical location, and whether the representative personally enjoyed the process are not themselves the substantive factors this decision should turn on.

79. D — D—The election should be reconsidered where the specific legal issue is genuinely novel and preserving appellate review for potential clarity would be genuinely valuable to the taxpayer. Mere preference for a shorter proceeding, falling well under the threshold, and prior representative experience with small cases are not themselves reasons to reconsider.

80. B — B—Pre-submission review should carefully confirm every factual assertion in the protest is accurate and properly supported by the actual available documentation before filing it. Confirming only page count, font preference, or paper stock brand are all irrelevant formatting details unrelated to the genuine substantive accuracy this review should actually verify.

81. C — C—A mediated settlement is generally documented through a closing agreement or other appropriate settlement documentation formally memorializing the actual agreed resolution. It is not left entirely undocumented and informal, is not documented through a binding arbitration award since mediation differs from arbitration, and does not require a new Tax Court petition.

82. A — A—This decision typically reflects Appeals' generally faster, less formal, and often more favorable settlement environment compared to the greater expense of full Tax Court litigation overall. The courthouse's physical distance, mere terminology preference, and the representative's personal Tax Court appearance history are not themselves the substantive factors driving this decision.

83. D — D—A partial mutual concession generally reflects a genuine hazards-of-litigation compromise, recognizing real uncertainty about how a court would ultimately rule on the specific issue. It is not a purely arbitrary split lacking analytical basis, is not an automatic default rule applied to every case, and is not itself a clerical calculation error.

84. B — B—An effective Appeals approach generally prioritizes genuine credibility and thorough preparation over merely aggressive, unsupported advocacy pushed for every single position raised throughout the conference. Prioritizing sheer argument volume regardless of merit, speed over genuine thoroughness, and the practitioner's own reputation over the taxpayer's interests all undermine truly effective representation here.

85. C — C—A software calculation's reliability ultimately depends on the accuracy and completeness of the underlying data the preparer actually entered into the system. It does not depend on the software brand's marketing reputation, the price originally paid for the license, or how many years the specific product has existed on the market.

86. D — D—A duplicate entry caught during review should be corrected by removing the duplicate and confirming the income is accurately reflected exactly once, consistent with the source documents. Leaving both entries with a mere internal note, removing both entirely, and adding a third averaging entry all fail to actually produce an accurate return.

87. B — B—The obligation applies to returns prepared for genuine compensation broadly, whether the fee charged is modest or substantial in amount, both genuinely qualifying as compensation for this specific purpose. It carries no minimum dollar threshold, is not limited to long-standing clients, and applies to individual as well as business returns equally.

88. A — A—A proper incident response plan addresses concrete steps to take if client information is actually compromised, including promptly notifying affected clients of the breach. Marketing strategy planning, continuing education tracking, and holiday party scheduling are all unrelated administrative matters, not the substance of a genuine data security incident response plan.

89. C — C—Denial may result where the applicant has a documented history of significant tax noncompliance genuinely relevant to fitness for e-file program participation and trust. Mere software brand preference, years in business below some threshold, and operating from a home office rather than a commercial office are not themselves proper denial grounds.

90. A — A—Provider status information generally must be updated when the firm experiences a material change to the information originally submitted on the actual e-file application filed. Hiring a new receptionist, purchasing unrelated new furniture, and renewing the lease at the same location do not themselves constitute material changes requiring an update.

91. B — B—The e-file mandate applies specifically to covered individual income tax returns as defined under the applicable IRS guidance, not to every conceivable federal filing type. It is not limited only to filings the preparer personally finds convenient, and it applies regardless of whether the client has specifically requested electronic filing themselves.

92. D — D—Form 8948 should be completed accurately and completely, clearly identifying the specific applicable exception genuinely being claimed for that particular paper-filed return submitted. Deliberately vague language, completing it only when convenient time permits, and waiting for a specific separate IRS request all fail to reflect the actual proper completion standard.

93. C — C—An approved hardship waiver does not exempt the preparer from all other separate Circular 230 obligations, which remain fully in effect despite the specific e-file waiver granted. It does provide relief from the e-file mandate specifically, does require attaching Form 8948, and is properly limited to the specific scope and period approved.

94. B — B—A material alteration made after the taxpayer signed but before actual transmission generally invalidates the prior authorization, since it no longer reflects the exact return the taxpayer actually reviewed. Alterations do genuinely affect a prior signature's validity, and this concern applies regardless of whether the resulting refund increases or decreases.

95. D — D—Proper Form 8879 retention should be organized to allow efficient retrieval if the IRS later requests verification of a specific return's original authorization. It should not aim to maximize storage space consumption without benefit, should not prioritize convenient premature discarding, and should not involve freely sharing retained forms with unrelated third parties.

96. A — A—Proper confirmation comes from reviewing the current tax year's official IRS instructions specifically addressing this requirement, ensuring the preparer relies on genuinely current, accurate guidance. A general unverified internet search, the preparer's own outdated recollection, and an informal conversation with an unrelated colleague are all unreliable substitutes for this verification.

97. D — D—The perfection period applies to corrections made promptly that result in an accurate, properly corrected retransmission actually addressing the specific rejection reason identified. It does not apply where correction is indefinitely delayed with no urgency, where the actual rejection reason goes uncorrected, or where an entirely different taxpayer's information is mistakenly submitted.

98. C — C—A preparer should generally avoid simply retransmitting the identical return without ever properly addressing the underlying identity theft concern the rejection actually indicates has occurred here. Advising on the IRS identity theft affidavit process, discussing an Identity Protection PIN, and documenting the steps taken are all appropriate, recommended responses instead.

99. B — B—Proper e-file compliance training should genuinely and thoroughly cover EFIN safeguarding, correct signature authorization sequencing, and current mandate requirements staff genuinely need to know well. General customer service skills, unrelated internal billing software training, and general office etiquette are all outside the actual substance genuine e-file compliance training should address.

100. A — A—A genuine compliance commitment ultimately benefits the Provider itself, its clients, and the broader integrity of the overall electronic filing system everyone relies upon. This is not solely about narrow short-term business interests, is not solely about IRS internal processing interests, and is not limited to a single isolated taxpayer's interests.