# PRACTICE EXAM 29: SEE PART 3 — REPRESENTATION, PRACTICES, AND PROCEDURES (100 QUESTIONS)

*This full-length simulation exam contains 100 multiple-choice questions covering SEE Part 3: Representation, Practices, and Procedures, built to mirror the domain weighting of the official IRS Special Enrollment Examination. The official Part 3 exam, administered by PSI Services LLC, consists of 85 scored questions (plus unscored pretest questions) with a 3.5-hour time limit; this practice exam is expanded to 100 questions per the book's practical question-count override so that the total practice question bank across all Part 3 exams reaches a useful study volume, while domain weighting percentages are scaled proportionally from the official 85-question breakdown. For the most realistic practice, allow yourself 3.5 hours to complete this exam without interruption, using only scratch paper and a basic calculator as permitted at the PSI test center. The IRS-published passing score is a scaled score of 500 or higher on a 200-800 scale. Mark your answer for each question, then check your work against the Answer Key and Explanations section that follows. For an interactive, timed practice experience, use the Online Exam Simulator included with this book.*

**1.** Which of the following individuals is NOT authorized to practice before the IRS solely on the basis of the credential or role listed?

A. An attorney in good standing with a state bar
B. A CPA in good standing with a state board of accountancy
C. An enrolled agent holding a valid PTIN and enrollment card
D. A licensed bookkeeper who prepares tax returns for a fee

**2.** Dana Whitfield prepares federal tax returns for compensation. Which requirement must she satisfy before preparing any return?

A. Complete 72 hours of continuing education
B. Obtain and renew a valid Preparer Tax Identification Number (PTIN)
C. Pass the Special Enrollment Examination
D. Register as an enrolled agent with the IRS

**3.** Marcus Delgado is an unenrolled preparer who signed a client's Form 1040 as the paid preparer. Under what circumstance may he represent that client before the IRS?

A. He may represent the client at any Appeals conference
B. He may represent the client in U.S. Tax Court
C. He may represent the client only before revenue agents examining that return
D. He may represent the client on any matter for three years

**4.** Priya Chandrasekaran wants to become an enrolled agent through the examination route. Which requirement must she meet?

A. Pass all three parts of the Special Enrollment Examination and pass a suitability check
B. Work for the IRS for five consecutive years in a technical position
C. Hold an active CPA license in at least one state
D. Complete a four-year accounting degree from an accredited university

**5.** Harold Beckwith worked for the IRS for eight years in a position requiring interpretation of the tax code, including at least five years of qualifying technical experience. Which enrollment path may he pursue without taking the SEE?

A. The continuing education waiver path
B. The reciprocal state licensure path
C. The former IRS employee experience path
D. The provisional enrollment path

**6.** Enrolled agent Yolanda Frenette must complete continuing education for her three-year enrollment cycle. What is the minimum total number of CE hours required?

A. 72 hours
B. 60 hours
C. 90 hours
D. 45 hours

**7.** Within each year of the three-year enrollment cycle, an enrolled agent must complete at least how many CE hours, and how many of those must cover ethics?

A. 24 hours total, with 4 hours of ethics
B. 20 hours total, with 3 hours of ethics
C. 18 hours total, with 1 hour of ethics
D. 16 hours total, with 2 hours of ethics

**8.** Circular 230 derives its legal codification from which source?

A. Internal Revenue Code Section 7216
B. 31 CFR Subtitle A, Part 10
C. Treasury Regulation Section 1.6694-1
D. The Taxpayer Bill of Rights

**9.** Before granting enrollment, the IRS conducts a suitability check on applicants. Which of the following would most likely result in denial of enrollment?

A. A recent felony conviction involving dishonesty
B. Ten years of experience as a paid preparer
C. Membership in a state bar association
D. Prior employment with a private accounting firm

**10.** Enrolled retirement plan agents are authorized to practice before the IRS on matters limited to which area?

A. All individual income tax controversies
B. Estate and gift tax examinations
C. Criminal tax investigations
D. Employee retirement plan issues under specified Code sections

**11.** Enrolled actuaries are permitted to practice before the IRS only with respect to which of the following?

A. General individual income tax return preparation
B. Corporate merger and acquisition tax planning
C. Code sections governing actuarial and employee benefit matters
D. Estate tax valuation disputes in Tax Court

**12.** Which combination correctly lists categories of individuals authorized to practice before the IRS under Circular 230?

A. Attorneys, bookkeepers, and enrolled agents only
B. Attorneys, CPAs, enrolled agents, enrolled retirement plan agents, and enrolled actuaries
C. CPAs, notaries, and enrolled agents only
D. Enrolled agents and unenrolled return preparers only

**13.** Enrolled agent Simone Aubuchon has a Social Security number ending in the digit 4. Under the renewal schedule, when must she renew her enrollment?

A. Every year regardless of SSN digit
B. Renewal years are staggered based on the last SSN digit
C. Only when the IRS issues an individual notice
D. Renewal is optional if PTIN remains active

**14.** For continuing education hours to count toward an enrolled agent's renewal requirement, the course generally must be offered by which type of provider?

A. An IRS-approved continuing education provider
B. Any employer-sponsored in-house training session
C. A self-study article written by the agent

D. An unaccredited online seminar of the agent's choosing

**15.** Which activity is best described as "practice before the Internal Revenue Service" under Circular 230?

A. Filing articles of incorporation with a state agency
B. Preparing a client's personal financial statement for a bank loan
C. Communicating with the IRS on a client's behalf regarding an examination
D. Drafting a client's last will and testament

**16.** What is the primary general purpose of Circular 230?

A. To establish federal income tax filing deadlines
B. To define penalties for underpayment of estimated tax
C. To set forth criminal sentencing guidelines for tax fraud
D. To regulate who may practice before the IRS and establish standards of conduct for practitioners

**17.** Marcus Delacroix, an EA, prepares a return relying on financial statements provided by his client without independently verifying the underlying figures against source documents. Under Circular 230 §10.22, what standard of diligence must Marcus exercise regarding the accuracy of representations made to the IRS and to clients?

A. He may generally rely in good faith on client information without independent verification, absent reason to doubt it
B. He must independently audit and trace every client-submitted figure back to original source documents
C. He must obtain signed written certification from an independent third party for all financial data
D. He must decline any engagement unless he personally reviewed all source documents in advance

**18.** Priya Nagarajan, an EA, has repeatedly failed to respond to IRS correspondence requesting additional information for a client's audit, causing significant delays over several months without any explanation to the client or the Service. Which Circular 230 provision has Priya most directly violated?

A. §10.34, standards for advising on tax return positions
B. §10.27, restrictions on contingent fee arrangements
C. §10.23, prompt disposition of pending matters before the IRS
D. §10.36, procedures to ensure compliance by firm employees

**19.** While preparing an amended return, Gabriel Whitfield, an EA, discovers that his client omitted a substantial amount of rental income on a return filed three years earlier, which he did not prepare. Under §10.21, what is Gabriel's obligation?

A. He must immediately file an anonymous tip with the IRS Whistleblower Office
B. He must promptly advise the client of the omission and the consequences of not correcting it
C. He must refuse to prepare the amended return until the prior omission is corrected
D. He must amend the prior return himself even without the client's authorization

**20.** Renata Solheim, an EA, wants to represent both spouses in a joint IRS audit even though she recently learned the spouses disagree about how to allocate responsibility for an underpayment. Under §10.29, what must Renata do before continuing the representation?

A. Decline to represent either spouse and refer both to independent counsel
B. Represent only the spouse who retained her services first, without notifying the other
C. Continue representation without disclosure since both spouses signed the original joint return together
D. Reasonably believe she can competently represent both, obtain written informed consent from each within 30 days

**21.** Desmond Achterberg, an EA, charges a client an extremely high flat fee for preparing a straightforward Form 1040 with no unusual complexity, far exceeding what similarly qualified practitioners in the area charge for comparable work. Under §10.27, this fee is best described as:

A. Permissible, because Circular 230 imposes no restrictions whatsoever on fee amounts charged by EAs
B. Permissible only if disclosed in advance in a signed engagement letter with the client

C. Potentially an unconscionable fee, which §10.27 prohibits practitioners from charging in connection with IRS matters

D. A prohibited contingent fee arrangement requiring immediate disgorgement of the entire amount collected

**22.** Fiona Castellanos, an EA, prepares a client's return and, at the client's request, endorses and cashes the client's federal tax refund check herself, depositing the proceeds into her own business account before remitting the balance later. Under §10.31, this conduct is:

A. Permitted if the client provides written authorization allowing the practitioner to negotiate the check

B. Prohibited; a practitioner who prepared a return may not endorse or negotiate a refund check

C. Permitted only for enrolled agents who also hold a valid state notary commission

D. Prohibited only if the practitioner charges an additional fee for handling the refund check

**23.** According to §10.33's best practices for tax advisors, which of the following describes an aspirational, though not directly disciplinary, standard for providing clients with the highest quality representation?

A. Charging only fixed fees approved in advance by the IRS Office of Professional Responsibility

B. Filing all client returns electronically regardless of the client's preference or circumstances

C. Requiring every client to sign a power of attorney before any consultation begins

D. Communicating clearly with clients regarding the terms of the engagement and the advice given

**24.** Following a disciplinary proceeding, the IRS determines that Harold Pemberton, an EA, engaged in willful misconduct in connection with a client's estate tax matter. Which of the following sanctions is available to the IRS under §10.50 as an alternative to suspension or disbarment?

A. Censure, a public reprimand that does not bar the practitioner from continued practice before the IRS

B. Automatic revocation of the practitioner's state-issued professional license, ordered directly by the IRS

C. Mandatory criminal referral of the matter to the Department of Justice for prosecution

D. Permanent forfeiture of the practitioner's PTIN, with no right to ever reapply

**25.** In addition to censure, suspension, or disbarment, §10.50 also permits the IRS to impose which type of sanction against a practitioner found to have violated Circular 230, either instead of or in addition to other sanctions?

A. Suspension of the practitioner's law license by the applicable state bar authority

B. A monetary penalty, which may be imposed on the practitioner or on the practitioner's employer

C. Automatic loss of eligibility to obtain any future federal government contracts

D. Mandatory community service hours supervised by the local IRS district office

**26.** The IRS Office of Professional Responsibility believes it has grounds to suspend or disbar Yolanda Marchetti, an EA, for violating Circular 230. Before any sanction can be imposed, what must OPR do under Subpart D?

A. Immediately suspend Yolanda's enrollment pending a full jury trial in U.S. Tax Court

B. Refer the matter directly to the IRS Criminal Investigation division for indictment

C. Institute a proceeding by serving a formal complaint giving Yolanda notice and a hearing opportunity

D. Publish Yolanda's name in the Federal Register without any prior notice or hearing

**27.** Which of the following, standing alone, is most clearly an example of "disreputable conduct" under §10.51 that can result in suspension or disbarment from practice before the IRS?

A. Advising a client to take a tax position that is later disallowed after a good-faith audit

B. Disagreeing with an IRS revenue agent's proposed adjustment during an examination conference

C. Filing a timely extension request on behalf of a client without prior written authorization

D. Willfully failing to file the practitioner's own individual federal income tax returns for several years

**28.** Theodore Aldenburg, an EA, is convicted of a felony involving misappropriation of funds from a former employer, entirely unrelated to his tax practice. Under §10.51, how does this conviction affect his standing to practice before the IRS?

A. It constitutes disreputable conduct, which may support suspension or disbarment regardless of any tax connection

B. It has no bearing on his eligibility, because the crime did not involve tax matters or IRS clients
C. It only becomes relevant if a state licensing board first revokes a related professional license
D. It automatically and permanently disbars him without any right to a hearing before OPR

**29.** Simone Okwuosa, an EA, wants to advertise her tax representation services using direct mail to potential clients. Under §10.30, which of the following is required regarding the content and retention of this advertising?

A. She may make any claims about her success rate in IRS negotiations without support
B. She must obtain prior written approval from OPR before distributing any advertisement
C. She is prohibited from mentioning that she is an enrolled agent in any advertisement
D. She must avoid false or misleading statements and retain a copy for the required retention period

**30.** A client, Nathaniel Farrow, terminates his engagement with EA Bianca Restrepo and requests the return of all records necessary for him to comply with his federal tax obligations. Under §10.28, how must Bianca handle this request, even if a fee dispute exists?

A. She may withhold all records permanently until the disputed fee is paid in full
B. She may withhold only records that she personally created, but not client-provided originals
C. She must promptly return the client's records, though she may retain copies and her own work product
D. She must destroy all records within 30 days of the termination of representation

**31.** When providing written advice on a federal tax matter, §10.37 requires a practitioner such as Julian Beaumont to base the advice on which of the following standards?

A. Reasonable factual and legal assumptions, reasonable reliance on client information, and consideration of known relevant facts
B. The single most aggressive interpretation of the law that could plausibly be sustained
C. Whatever position the client explicitly requests, regardless of the practitioner's own analysis
D. Only precedent from IRS private letter rulings issued to unrelated taxpayers

**32.** Diane Castellano, EA, is preparing to represent a client before the IRS Independent Office of Appeals regarding a proposed adjustment to the 2023 Form 1040. Which IRS form must she have on file to establish that she is authorized to represent the taxpayer and receive confidential tax information?

A. Form 8821, Tax Information Authorization
B. Form 2848, Power of Attorney and Declaration of Representative
C. Form 4506, Request for Copy of Tax Return
D. Form 56, Notice Concerning Fiduciary Relationship

**33.** Marcus Whitfield wants his bookkeeper, who is not an enrolled agent, attorney, or CPA, to receive copies of IRS notices and transcripts for his business but does not want to grant her authority to advocate on his behalf before the IRS. Which form should Marcus file?

A. Form 2848, Power of Attorney and Declaration of Representative
B. Form 8822, Change of Address
C. Form 8821, Tax Information Authorization
D. Form 706, United States Estate Tax Return

**34.** Which of the following individuals is generally ineligible to be named as a taxpayer's representative on Form 2848?

A. An enrolled agent in good standing
B. An individual who has been disbarred or suspended from practice before the IRS
C. A CPA licensed in the taxpayer's state
D. An attorney who is a member in good standing of a state bar

**35.** Sofia Alvarez holds a valid Form 2848 for her client, Robert Kim, covering his 2022 Form 1040 examination. Absent specific written authorization checked on the form, which of the following is Sofia prohibited from doing?

A. Receiving copies of IRS correspondence sent to Robert
B. Discussing the proposed adjustments with the examining agent

C. Presenting arguments and evidence supporting Robert's position
D. Signing Robert's amended return or endorsing his refund check

**36.** A taxpayer wishes to revoke a previously filed Form 2848 without simultaneously appointing a new representative. What is the correct procedure?

A. Write "REVOKE" on a copy of the prior Form 2848 and submit it, signed, to the IRS
B. Call the IRS toll-free line and verbally request removal from the CAF
C. File a new Form 8821 naming no representative
D. Wait for the authorization to expire automatically after three years

**37.** Under the Taxpayer Bill of Rights, which right specifically guarantees that a taxpayer may retain an authorized representative to act on their behalf in dealings with the IRS?

A. The Right to Privacy
B. The Right to Challenge the IRS's Position and Be Heard
C. The Right to Retain Representation
D. The Right to a Fair and Just Tax System

**38.** Elena Brooks receives an IRS letter proposing adjustments to her Schedule A itemized deductions based solely on a mismatch identified through automated processing, without requiring an in-person meeting. Which type of examination is this?

A. Field examination
B. Office examination
C. TEFRA partnership examination
D. Correspondence examination

**39.** The IRS primarily uses which method to identify individual income tax returns with the highest potential for examination adjustment?

A. Random selection from all filed returns
B. The Discriminant Information Function (DIF) scoring system
C. Referrals exclusively from state tax agencies
D. Manual review of every return filed

**40.** During a field examination, Revenue Agent Nathan Pruitt requests specific books and records from the taxpayer using a formal written request. What is this document called?

A. Information Document Request (IDR)
B. Notice of Deficiency
C. Revenue Agent Report (RAR)
D. Final Partnership Administrative Adjustment

**41.** Before contacting a taxpayer's suppliers to verify reported income during an examination, what must the IRS generally do first, under IRC Section 7602(c)?

A. Obtain a court order authorizing the contact
B. Notify the taxpayer's representative only, not the taxpayer
C. Publish notice in the Internal Revenue Bulletin
D. Provide reasonable advance notice to the taxpayer that third parties may be contacted

**42.** On Form 2848, Line 3, a taxpayer must describe the specific tax matters and periods covered by the authorization. Which entry would the IRS reject as improperly overbroad?

A. Income tax, Form 1040, calendar years 2021 through 2023
B. Employment tax, Form 941, quarters ending March 2023 through December 2023
C. All years, all tax matters, unlimited periods
D. Estate tax, Form 706, date of death June 2022

**43.** What is the primary purpose of the Centralized Authorization File (CAF) number assigned to a practitioner?

A. To track and identify a representative's authorizations across IRS systems
B. To serve as the practitioner's federal tax identification number
C. To calculate the practitioner's continuing education requirements
D. To grant automatic e-file authority for all client returns

**44.** A taxpayer names three representatives on a single Form 2848 and does not check the box declining automatic copies of notices. How many copies of IRS notices will be sent to representatives?

A. Notices are sent to all three representatives automatically
B. Notices are sent to a maximum of two representatives
C. No notices are sent unless separately requested
D. Notices are sent only to the first representative listed

**45.** During an office examination, taxpayer Gregory Lin states he wishes to end the interview to consult with his enrolled agent. Under the Taxpayer Bill of Rights, how must the examining officer respond?

A. Continue the interview since consultation rights apply only to criminal matters
B. Require Gregory to submit a written request before pausing
C. Suspend the interview to allow Gregory to consult his representative
D. Proceed only if Gregory signs a waiver of representation rights

**46.** Which characteristic most distinguishes a field examination from an office examination?

A. Field examinations are conducted by revenue agents at the taxpayer's place of business and typically involve more complex issues
B. Field examinations are always limited to a single tax year under audit
C. Field examinations are conducted exclusively through written correspondence
D. Field examinations never require the taxpayer to provide supporting documentation

**47.** Which statement best describes the mission of the IRS Independent Office of Appeals?

A. To represent the government's interests in Tax Court litigation against taxpayers who have filed petitions.

B. To resolve tax controversies without litigation, in a manner fair and impartial to both parties.

C. To conduct field examinations of returns selected for audit based on discriminant function scoring.

D. To collect delinquent tax liabilities through levy and lien enforcement actions after assessment.

**48.** Marisol Duarte received a 30-day letter proposing an additional tax deficiency of $18,000 for a single tax year following an office audit. Which method should she use to request Appeals consideration?

A. She must file a formal written protest citing the specific facts, law, and arguments supporting her position.

B. She must petition the United States Tax Court directly without first requesting an Appeals conference.

C. She must submit Form 911 requesting Taxpayer Advocate Service intervention before Appeals will accept the case.

D. She may submit a small case request since the amount at issue for any period is $25,000 or less.

**49.** What is the primary legal effect of the IRS filing a Notice of Federal Tax Lien (NFTL)?

A. It immediately seizes the taxpayer's wages and bank accounts to satisfy the outstanding liability.

B. It converts the taxpayer's civil liability into a criminal matter subject to prosecution.

C. It automatically terminates any pending installment agreement the taxpayer previously entered into with the IRS.

D. It establishes public priority of the government's claim against the taxpayer's creditors and property.

**50.** How many days before the IRS may levy on a taxpayer's property must it provide a Final Notice of Intent to Levy and Notice of a Right to a Hearing?

A. At least 30 days before the levy is issued.

B. At least 10 days before the levy is issued.

C. At least 60 days before the levy is issued.

D. At least 90 days before the levy is issued.

**51.** Which of the following is exempt from IRS levy under §6334?

A. All wages earned by the taxpayer above the standard deduction amount for the year.
B. Retirement accounts once the taxpayer has reached the age of fifty-nine and one-half.
C. Unemployment benefits payable to the taxpayer under any state or federal law.
D. Real property held by the taxpayer that generates rental income each month.

**52.** After the Independent Office of Appeals issues a Notice of Determination following a Collection Due Process hearing under §6330, within how many days must the taxpayer petition the Tax Court for judicial review?

A. 60 days from the date of the Notice of Determination.
B. 30 days from the date of the Notice of Determination.
C. 90 days from the date of the Notice of Determination.
D. 45 days from the date of the Notice of Determination.

**53.** Devon Whitfield receives a Notice of Federal Tax Lien Filing and His Right to a Hearing Under IRC 6320. Within how many days of that notice must he request a Collection Due Process hearing to preserve his right to one?

A. 15 days after the date of the notice.
B. 30 days after the date of the notice.
C. 45 days after the date of the notice.
D. 60 days after the date of the notice.

**54.** Priya Nakamura owes $8,500 in tax, has filed and paid all returns timely for the past five years, has not entered into an installment agreement in that period, and can pay the full balance within three years. Which type of agreement is the IRS required to grant her?

A. A partial payment installment agreement based on her current monthly disposable income.

B. A streamlined installment agreement approved without full financial disclosure requirements.
C. A guaranteed installment agreement, since she meets all statutory eligibility conditions.
D. An offer in compromise based on doubt as to collectibility of the balance.

**55.** Which feature distinguishes a streamlined installment agreement from a traditional installment agreement requiring full financial analysis?

A. It is only available to taxpayers who owe more than $100,000 in combined tax and penalties.
B. It requires submission of a complete Collection Information Statement before approval is granted.
C. It is limited exclusively to trust fund recovery penalty assessments against responsible persons.
D. It generally does not require a financial statement for balances up to $50,000, paid within 72 months.

**56.** Which characteristic distinguishes a partial payment installment agreement (PPIA) from other IRS payment arrangements?

A. The agreed monthly payments will not fully satisfy the liability before the collection statute expires.
B. It is available only when the taxpayer's total balance owed is below $10,000.
C. It requires no financial disclosure because eligibility depends solely on the assessed balance amount.
D. It automatically converts into an offer in compromise once twenty-four payments have been made.

**57.** Hector Villanueva submits an offer in compromise arguing that his assets and future income are insufficient to fully pay his tax liability. Which ground for the offer applies?

A. Effective tax administration, because collection would create economic hardship despite adequate collection potential.
B. Doubt as to collectibility, because his reasonable collection potential is less than the total liability.
C. Doubt as to liability, because he disputes the accuracy of the assessed tax amount.
D. Innocent spouse relief, because he was unaware of errors made by a former spouse.

**58.** Which situation supports an offer in compromise based on doubt as to liability?

A. The taxpayer agrees the assessment is correct but lacks sufficient assets to pay it.
B. Paying the full liability would create a documented economic hardship for the taxpayer.
C. A genuine dispute exists regarding whether the assessed tax amount is legally correct.
D. The taxpayer's collection statute expiration date is approaching within the next several months.

**59.** Under which circumstance may the IRS accept an offer in compromise based on effective tax administration (ETA) even though the taxpayer's reasonable collection potential equals the full liability?

A. Full collection would create economic hardship or would be inequitable given compelling public policy considerations.
B. The taxpayer disputes the accuracy of the underlying assessment made by the examining agent.
C. The taxpayer has never previously filed any federal individual income tax returns whatsoever.
D. The collection statute expiration date has already passed before the offer was submitted.

**60.** When the IRS places a taxpayer's account in currently not collectible (CNC) status due to economic hardship, what is the effect on the underlying liability?

A. The liability is permanently forgiven and no further collection action can ever occur.
B. The liability converts automatically into an approved offer in compromise for the same amount.
C. The taxpayer is relieved of the requirement to file future federal tax returns.
D. The liability remains owed, and the collection statute of limitations continues to run.

**61.** Sandra Pruitt filed her Form 1040 seven months late without requesting an extension and owed $12,000 in unpaid tax at filing. Assuming no fraud is involved, what is the maximum combined failure-to-file penalty rate under IRC §6651(a)(1) that Sandra will incur?

A. 15% of the unpaid tax
B. 25% of the unpaid tax
C. 47.5% of the unpaid tax
D. 50% of the unpaid tax

**62.** Robert Alvarez timely filed his return but paid only half of the tax shown as due, with no extension request. Under IRC §6651(a)(2), at what monthly rate does the failure-to-pay penalty accrue on the unpaid balance?

A. 0.25% per month
B. 0.5% per month
C. 1% per month
D. 5% per month

**63.** During an audit, the examiner determines that Marcus Webb substantially understated his income due to careless recordkeeping that constitutes negligence, but there is no fraud. Under IRC §6662, what is the accuracy-related penalty rate on the resulting underpayment?

A. 20% of the portion of underpayment attributable to negligence
B. 25% of the portion of underpayment attributable to negligence
C. 50% of the portion of underpayment attributable to negligence
D. 75% of the portion of underpayment attributable to negligence

**64.** The IRS determines that Diane Foster deliberately concealed rental income using a shell entity to evade tax. What civil fraud penalty rate applies under IRC §6663 to the portion of the underpayment attributable to fraud?

A. 20% of the underpayment attributable to fraud
B. 50% of the underpayment attributable to fraud
C. 75% of the underpayment attributable to fraud
D. 100% of the underpayment attributable to fraud

**65.** Kevin O'Malley, a paid preparer, took an unreasonable position on a client's return that understated the tax liability, without adequate disclosure. Under IRC §6694(a), what is the minimum penalty the IRS may impose per return?

A. the greater of $250 or 10% of preparer income

B. the lesser of $500 or 20% of preparer income
C. the lesser of $1,000 or 25% of preparer income
D. the greater of $1,000 or 50% of preparer income

**66.** Patricia Nguyen prepared a client's income tax return but failed to sign it and did not furnish her PTIN as required. Which Code section imposes a civil penalty specifically for this type of preparer conduct?

A. IRC §6694
B. IRC §6695
C. IRC §6700
D. IRC §6701

**67.** Thomas Reyes missed a filing deadline because his tax records were destroyed in a documented house fire two weeks before the due date, and he refiled promptly once records were reconstructed. Which standard should he cite when requesting penalty relief?

A. reasonable cause
B. first-time abate
C. innocent spouse relief
D. audit reconsideration

**68.** Carol Whitfield has a clean three-year compliance history with no prior penalties and timely filed her current return, but paid late and incurred a failure-to-pay penalty. Which administrative waiver allows the IRS to remove the penalty without requiring a showing of reasonable cause?

A. innocent spouse relief
B. injured spouse allocation
C. first-time abate
D. audit reconsideration

**69.** Angela Marsh's ex-husband omitted significant self-employment income from their joint return without her knowledge, and she can show she did not know and had no reason to know of the understatement. Which relief provision under IRC §6015 is she seeking?

A. §6015(c) allocation of deficiency
B. §6015(f) equitable relief
C. Form 8379 injured spouse allocation
D. §6015(b) innocent spouse relief

**70.** Gregory Simmons and his former spouse are legally separated and no longer share a household. He seeks to allocate a joint-return deficiency so he is responsible only for items attributable to himself. Which provision applies?

A. §6015(c) separate liability election
B. §6015(b) innocent spouse relief
C. §6015(f) equitable relief
D. Form 8379 injured spouse allocation

**71.** Renee Bouchard does not qualify for relief under §6015(b) or (c) because the underpayment involved reported but unpaid tax rather than an understatement, yet holding her liable would be unfair given her circumstances. Which relief category should her representative pursue?

A. first-time abate
B. injured spouse allocation
C. §6015(f) equitable relief
D. audit reconsideration

**72.** Victor Delgado filed a joint return with his wife, but the entire refund was seized to satisfy his wife's pre-marriage student loan default, even though Victor's withholding generated part of the overpayment. What form should Victor file to recover his share?

A. Form 8857

B. Form 8379
C. Form 656
D. Form 843

**73.** Michelle Tran served as the corporate officer who decided which creditors to pay when her company fell behind on payroll taxes, choosing to pay vendors over the IRS. Under IRC §6672, what penalty may the IRS assess against her personally?

A. an accuracy-related penalty equal to 20% of the underpayment amount
B. a civil fraud penalty equal to 75% of the underpayment amount
C. a preparer penalty under §6694 for an unreasonable position
D. the trust fund recovery penalty equal to 100% of the unpaid taxes

**74.** In determining whether Harold Beckett is a 'responsible person' for trust fund recovery penalty purposes, which factor is the IRS most likely to weigh as decisive?

A. his job title on the corporate organizational chart
B. the number of years he had worked at the company
C. his authority to decide which bills and creditors got paid
D. whether he personally prepared the payroll tax returns

**75.** Natalie Sorensen filed her 2022 Form 1040 on April 15, 2023, reporting all income accurately with no substantial omission. Absent fraud or a substantial understatement, by what date does the general §6501 assessment statute of limitations expire?

A. April 15, 2025
B. April 15, 2026
C. April 15, 2029
D. April 15, 2033

**76.** The IRS assessed additional tax against Peter Amadi on June 1, 2024, after he did not sign a Form 872 extension. Under IRC §6502, what is the general deadline for the IRS to collect that assessed tax through levy or court proceeding?

A. 3 years from the assessment date
B. 10 years from the assessment date
C. 6 years from the assessment date
D. there is no deadline once tax is assessed

**77.** Julia Fenwick's audit resulted in an assessment, and the collection period has expired, but she now has new documentation showing the adjustment was incorrect and wants the IRS to reconsider without paying first. What administrative process should her representative pursue?

A. requesting an audit reconsideration of the prior assessment
B. filing an offer in compromise based on collectibility
C. filing a Form 8379 injured spouse allocation claim
D. submitting a first-time abate penalty relief request

**78.** For purposes of Circular 230 due diligence and substantiating positions taken on client returns, how long is an enrolled agent generally advised to retain copies of prepared returns and supporting workpapers?

A. one year from the return's filing date
B. two years from the return's filing date
C. at least three years from the filing date
D. indefinitely, with no defensible minimum retention period

**79.** Daniel Kowalski's client is experiencing a significant hardship because an IRS levy has left the family unable to pay basic living expenses despite the debt being valid. Which IRS function is designed to assist with this type of case?

A. the Automated Collection System

B. Appeals
C. the Examination Division
D. the Taxpayer Advocate Service

**80.** James Okafor's client has a spotless five-year filing and payment history and incurred a one-time failure-to-file penalty on an otherwise timely-paid account. Which relief best avoids the need to document a specific hardship or cause?

A. reasonable cause based on serious illness
B. first-time abate administrative waiver
C. innocent spouse relief under §6015
D. an audit reconsideration request

**81.** Linda Castellano wants to request innocent spouse relief under §6015(b) or (c) after the IRS began collection action against her for a joint liability. Generally, within what period from the first collection activity must she file Form 8857?

A. 2 years
B. 3 years
C. 5 years
D. 10 years

**82.** In a Tax Court proceeding where the IRS asserts the civil fraud penalty under §6663 against Margaret Chen, which party bears the burden of proof, and to what standard?

A. Margaret bears the burden by a preponderance of the evidence
B. the IRS bears the burden by clear and convincing evidence
C. the IRS bears the burden by a preponderance of the evidence
D. Margaret bears the burden by clear and convincing evidence

**83.** For trust fund recovery penalty purposes, what must the IRS establish about Vincent Delacroix's state of mind regarding the unpaid withholding taxes, beyond his status as a responsible person?

A. that he acted with specific intent to defraud the government
B. that he had actual knowledge of the exact dollar amount
C. that he acted willfully, with knowledge or reckless disregard
D. that he personally profited financially from the unpaid taxes

**84.** Under IRC §6501, if Olivia Marchetti never filed a required income tax return for the year in question, when does the assessment statute of limitations generally begin to run?

A. three years after the original due date of the return
B. six years after the original due date of the return
C. immediately upon the taxpayer's death, regardless of filing status
D. it does not begin to run, permitting assessment at any time

**85.** Desmond Kavanagh, an EA, prepared 15 individual income tax returns during 2026. Under §6011(e) and the e-file mandate for specified tax return preparers, which of the following is true regarding his obligation to e-file?

A. He must electronically file all covered returns because he prepared more than 10 in the calendar year.
B. He must electronically file only if his firm has more than 50 employees preparing returns.
C. He may choose paper filing for any client who pays an additional preparation fee.
D. He must electronically file only returns claiming a refund exceeding $10,000.

**86.** As an Electronic Return Originator (ERO), Renata Okonjo is responsible for which of the following duties before transmitting a client's e-filed return to the IRS?

A. Determining the taxpayer's audit risk score and reporting it to the IRS.
B. Verifying the accuracy of the return and ensuring proper signature authorization is obtained.
C. Guaranteeing the taxpayer's refund will be issued within 21 days of transmission.
D. Filing the taxpayer's state return only after the federal refund is received.

**87.** David Ferraro, an ERO, obtained a signed Form 8879 from his client authorizing e-file. How long must David retain this signed authorization form?

A. One year from the date the return was accepted by the IRS.
B. Two years from the date the return was transmitted electronically.
C. Three years from the return due date or IRS received date, whichever is later.
D. Six years from the date the taxpayer's refund was deposited.

**88.** Angela Beaumont filed her original 2022 Form 1040 on April 15, 2023, and paid the balance due at that time. She now wants to file Form 1040-X to claim an additional refund. What is the latest date she may generally file this claim?

A. April 15, 2024, one year from the original filing date.
B. December 31, 2025, the end of the third calendar year.
C. April 15, 2026, three years from the original return's filing date.
D. April 15, 2029, six years from the original return's filing date.

**89.** Terrence Okafor did not file a tax return for 2019 but made an estimated tax payment in April 2020. In June 2026, he files the delinquent return claiming a refund of that payment. Under §6511, is the refund claim timely?

A. Yes, because refund claims are never subject to a statute of limitations.
B. Yes, because he filed within seven years of making the payment.
C. No, because delinquent returns permanently forfeit any right to a refund.
D. No, because both the three-year filing period and two-year payment period have expired.

**90.** Under §6107, a tax return preparer who does not retain a copy of each return prepared must instead maintain which alternative record, and for how long?

A. A list of the taxpayer's name, ID number, and tax year, kept three years.
B. A signed affidavit from each client waiving recordkeeping, kept for five years.
C. A copy of the taxpayer's W-2 forms only, kept for four years.

D. A summary of fees charged, kept permanently in the firm's archive.

**91.** Rachel Sandoval, a paid preparer, failed to meet the due diligence requirements when preparing a client's return claiming the Earned Income Tax Credit. Under §6695(g), what is the penalty for this failure, per return or claim?

A. $50 per failure, capped at $500 annually per preparer.
B. $250 per failure, adjusted only for inflation every five years.
C. $500 per failure, regardless of the credit claimed.
D. $600 per failure, adjusted annually for inflation (2026 figure).

**92.** When preparing a return claiming the Child Tax Credit for a client, what must Nathaniel Cross, EA, do to satisfy the Form 8867 due diligence requirements?

A. Independently verify every document the client provides by contacting third-party sources.
B. Complete and retain Form 8867, ask required questions, and document the responses.
C. Decline to prepare the return unless the client provides notarized income statements.
D. Submit Form 8867 directly to the client for the client to complete alone.

**93.** Bianca Alvarado wants her federal refund split among several of her personal bank accounts using Form 8888. What is the maximum number of accounts into which the IRS will directly deposit a single refund?

A. One account only, regardless of the taxpayer's request.
B. Two accounts, one checking and one savings.
C. Three separate accounts or financial products.
D. Five accounts, if all are jointly titled.

**94.** Gordon Whitaker is unmarried, paid more than half the cost of maintaining his home, and his dependent mother lived in a separate household that he maintained for the entire year. Which filing status may Gordon claim?

A. Single, because his mother did not live in his own home.
B. Head of household, under the special rule for a dependent parent.
C. Qualifying surviving spouse, because he supports a dependent relative.
D. Married filing separately, since he supports another household financially.

**95.** Which of the following methods is an acceptable way for a taxpayer to electronically sign an e-filed individual income tax return under IRS e-signature procedures?

A. Self-select a five-digit Personal Identification Number and provide prior-year AGI for verification.
B. Provide a handwritten signature scanned and emailed directly to the IRS service center.
C. Verbally confirm identity by phone with the ERO in lieu of any PIN entry.
D. Sign only the paper Form 1040 and mail it alongside the e-filed copy.

**96.** When a taxpayer is filing electronically for the first time with a particular ERO and cannot provide a prior-year AGI or PIN, what must the ERO do to verify the taxpayer's identity?

A. Refuse to e-file the return and require paper filing permanently.
B. Accept the taxpayer's verbal statement of identity without further documentation.
C. Contact the IRS Practitioner Priority Service to confirm the taxpayer's identity.
D. Inspect a government-issued photo identification document before completing the e-file signature process.

**97.** A client of Samuel Kowalczyk, EA, insists on filing a paper return despite Samuel being a specified tax return preparer subject to the e-file mandate. What must Samuel do to properly document this situation?

A. Deny the client service entirely, since paper filing is never permitted.
B. Have the client sign a statement and attach Form 8948 to the paper return.
C. E-file the return anyway, overriding the client's stated preference.
D. Report the client's request to the IRS Return Preparer Office immediately.

**98.** Before Melissa Thornbury, an ERO, may transmit a jointly filed e-file return for Robert and Carol Higgins, what signature requirement must be satisfied on Form 8879?

A. Only the spouse claimed as the primary taxpayer needs to sign the form.
B. Neither spouse must sign, since e-file authorization is implied by engagement.
C. Both spouses must sign Form 8879 before the return is transmitted.
D. Only the ERO's signature is required; taxpayer signatures are optional for e-file.

**99.** Diego Ramirez submitted a letter to the IRS within the statute of limitations period, clearly identifying the tax year and grounds for a refund, but did not use a formal Form 1040-X. Under the informal claim doctrine, what is the effect of this letter?

A. It may preserve his refund rights if later perfected by a formal claim.
B. It is automatically rejected because only Form 1040-X satisfies §6511.
C. It immediately entitles him to the refund without further IRS action.
D. It extends the statute of limitations by an additional three years.

**100.** Client Felicia Yang asks her preparer, Owen Bramwell, to direct deposit her federal refund into her boyfriend's personal bank account because she does not have her own account. What should Owen advise?

A. This is permitted as long as the boyfriend consents in writing beforehand.
B. This is permitted only if the refund is under $1,000 in total.
C. This is permitted if Form 8888 designates the account as a joint account.
D. This is not permitted; the IRS requires the refund account bear the taxpayer's name.

## Answer Key and Explanations — Practice Exam 29, Part 3: Representation, Practices, and Procedures

**1. D —** Circular 230 Section 10.3 limits practice before the Internal Revenue Service to five recognized categories: attorneys, certified public accountants, enrolled agents, enrolled retirement plan agents, and enrolled actuaries. A bookkeeper, regardless of experience or compensation received for preparing returns, holds no credential recognized under Circular 230 and therefore may not represent taxpayers before the IRS.

**2. B** — Treasury Regulation Section 1.6109-2 requires any individual who prepares or substantially assists in preparing federal tax returns for compensation to obtain a valid Preparer Tax Identification Number and renew it every year before preparing returns. Simply holding a PTIN does not grant representation rights before the IRS; enrollment or licensure is separately required for that authority.

**3. C** — Circular 230 grants unenrolled preparers only limited representation rights. A preparer who obtains an Annual Filing Season Program Record of Completion may represent a client before revenue agents, customer service representatives, and similar IRS employees, but only regarding a return that preparer personally prepared and signed, and never before Appeals or in Tax Court.

**4. A** — Circular 230 Section 10.4(a) permits enrollment as an enrolled agent based on passing all three parts of the Special Enrollment Examination within a two-year window. Applicants must also submit an application and undergo an IRS suitability check, including a review of personal and business tax compliance history, before enrollment is officially granted.

**5. C** — Circular 230 Section 10.4(b) allows certain former IRS employees to become enrolled agents without taking the Special Enrollment Examination if they had qualifying technical experience regularly interpreting and applying the tax code and its regulations. The application for this experience-based enrollment must generally be filed within three years of leaving that qualifying position.

**6. A** — Circular 230 Section 10.6(e) sets the continuing education requirement for enrolled agents at a minimum of 72 hours across each three-year enrollment cycle. This total must include ethics coursework and be completed through IRS-approved continuing education providers, ensuring agents remain current on tax law changes before their enrollment may be renewed.

**7. D** — Circular 230 Section 10.6(e) requires enrolled agents to complete at least 16 continuing education hours in each year of the three-year enrollment cycle, and within that annual minimum, at least 2 hours must specifically address ethics or professional conduct. This structure prevents agents from postponing all required coursework until the final year.

**8. B** — Circular 230 is officially codified as 31 CFR Subtitle A, Part 10, titled Regulations Governing Practice before the Internal Revenue Service. Issued under the Treasury Department's statutory authority, it establishes eligibility standards, scope-of-practice limitations, and rules of professional conduct that attorneys, CPAs, enrolled agents, and other practitioners must follow when representing taxpayers.

**9. A** — Circular 230 Section 10.5 authorizes the IRS to deny enrollment when an applicant fails a suitability check, which examines criminal history, tax compliance, and general character and reputation. A recent felony conviction involving dishonesty directly undermines the trustworthiness required of a practitioner and typically results in denial of enrollment or later disciplinary action.

**10. D** — Circular 230 Section 10.3(e) limits enrolled retirement plan agents to practicing on matters involving Internal Revenue Code provisions that govern employee retirement plans, such as qualification requirements, plan filings, and related determination letter requests. Their authority does not extend to general income tax, estate tax, or criminal tax representation matters.

**11. C** — Circular 230 Section 10.3(d) confines enrolled actuaries to practicing on matters arising under specific Internal Revenue Code provisions dealing with actuarial and employee benefit plan issues, including Sections 401, 403, 404, 405, and 4975. Practice on matters outside these enumerated actuarial provisions falls beyond the scope of an enrolled actuary's authorization.

**12. B** — Circular 230 Section 10.3 identifies exactly five categories authorized to practice before the Internal Revenue Service: attorneys, certified public accountants, enrolled agents, enrolled retirement plan agents, and enrolled actuaries, each subject to its own scope-of-practice limitations. Bookkeepers, notaries, and unenrolled preparers hold no independent representation rights under these regulations, regardless of experience.

**13. B** — Circular 230 Section 10.6 staggers enrolled agent renewal based on the last digit of the practitioner's Social Security number, dividing enrolled agents into three renewal groups that rotate through a three-year cycle. This staggered system spreads renewal applications across different years rather than requiring simultaneous renewal by every enrolled agent nationwide.

**14. A** — Circular 230 Section 10.6(f) requires continuing education for enrolled agent renewal to be obtained from a qualifying sponsor formally approved by the IRS Return Preparer Office. Approved sponsors issue completion certificates that document hours earned, and enrolled agents must retain these records to substantiate their renewal application if the IRS selects it for review.

**15. C** — Circular 230 Section 10.2(a)(4) defines practice before the Internal Revenue Service to include preparing and filing documents, corresponding and communicating with the IRS on a taxpayer's behalf, and representing a taxpayer at conferences, hearings, or meetings. Communicating with the IRS regarding a client's ongoing examination falls squarely within this statutory definition.

**16. D** — Circular 230's general purpose is to regulate who may practice before the Internal Revenue Service and to establish uniform standards of conduct, competence, and ethics that attorneys, CPAs, enrolled agents, and other practitioners must follow. It also creates the disciplinary framework the IRS Office of Professional Responsibility uses to enforce those standards.

**17. A** — Circular 230 §10.22 requires practitioners to exercise due diligence in preparing returns and other documents but permits reasonable reliance in good faith, without verification, on information furnished by clients, unless the practitioner knows or should know the information is incorrect, incomplete, or inconsistent with other facts known to the practitioner.

**18. C** — Section 10.23 requires practitioners to act with reasonable promptness in disposing of any matter properly submitted to the IRS, unless a valid reason exists for delay. Repeated, unexplained failure to respond to IRS requests over months, without communicating any legitimate cause, constitutes a clear violation of this promptness requirement and may result in disciplinary action by OPR.

**19. B** — Section 10.21 requires a practitioner who knows a client failed to comply with tax laws or made an error or omission on a return to promptly advise the client of the noncompliance, error, or omission and the consequences under the Code and regulations. The practitioner is not required to disclose this to the IRS.

**20. D** — Section 10.29 permits representation despite a conflict of interest only if the practitioner reasonably believes competent, diligent representation can be provided to each affected client, the representation is not prohibited by law, and each affected client gives informed consent, confirmed in writing, within a reasonable period, generally no later than 30 days.

**21. C** — Section 10.27 prohibits practitioners from charging an unconscionable fee for representing a client in a matter before the IRS. While reasonable fees are permitted and there is no rigid fixed schedule, a fee grossly disproportionate to comparable services rendered by similarly qualified practitioners may be deemed unconscionable and subject the practitioner to discipline.

**22. B** — Section 10.31 flatly prohibits a practitioner who prepared a tax return from endorsing or otherwise negotiating any refund check issued to the client, regardless of client consent or authorization. This rule exists to prevent practitioners from diverting or mishandling client funds, and violating it can result in censure, suspension, or disbarment from practice.

**23. D** — Section 10.33 sets forth best practices, including communicating clearly with clients about engagement terms and the significance of conclusions reached, establishing relevant facts, applying law to those facts reasonably, and advising clients honestly regarding the consequences of positions taken. These standards are aspirational; failure to comply alone does not trigger direct discipline.

**24. A** — Section 10.50 authorizes the IRS to censure, suspend, or disbar a practitioner from practice before the IRS, and to impose monetary penalties. Censure is a public reprimand that, unlike suspension or disbarment, does not prevent the practitioner from continuing to practice before the IRS, though it remains a matter of public record and reputational consequence.

**25. B** — Section 10.50 authorizes the IRS to impose a monetary penalty against a practitioner for violating Circular 230, in addition to or instead of suspension, disbarment, or censure. If the practitioner acted on behalf of an employer, firm, or entity, the IRS may also impose a monetary penalty on that employing entity if it knew of the violation.

**26. C** — Under §10.60, OPR must institute a disciplinary proceeding by issuing a formal written complaint, which names the respondent, sets forth the alleged charges, and is served upon the practitioner. The practitioner is given notice and an opportunity to file an answer and request a hearing before an administrative law judge before any sanction is finalized.

**27. D** — Section 10.51 lists disreputable conduct, including willfully failing to file the practitioner's own federal tax returns in any of the preceding five years. This applies regardless of whether the failure relates to client work, because it reflects directly on the practitioner's fitness and integrity to practice before the IRS, unlike ordinary disagreements over tax positions.

**28. A** — Section 10.51 defines disreputable conduct to include conviction of any criminal offense involving dishonesty or breach of trust, even if unrelated to tax practice. Such a conviction may support suspension or disbarment because it bears on the practitioner's fitness to practice, though the practitioner is still entitled to notice and a hearing under Subpart D before OPR.

**29. D** — Section 10.30 permits advertising and solicitation but prohibits false, fraudulent, misleading, deceptive, or coercive statements, including unsubstantiated claims. Practitioners using mailed or electronic solicitations must retain a copy of the communication, along with a list or description of recipients and the dates used, for at least 36 months from the date of last use.

**30. C** — Section 10.28 requires a practitioner to promptly return all records of the client necessary for the client to comply with federal tax obligations, even if there is a fee dispute. The practitioner may retain copies and, unless applicable state law provides otherwise, may withhold records reflecting the practitioner's own work product pending payment of fees.

**31. A** — Section 10.37 requires written advice to be based on reasonable factual and legal assumptions, to reasonably consider all relevant facts the practitioner knows or should know, and to reflect the practitioner's best judgment. Practitioners may generally rely in good faith on client information without independent verification, absent reason to believe it is incorrect.

**32. B** — Form 2848 grants a qualifying representative both the authority to represent a taxpayer before the IRS and to receive confidential information, while Form 8821 (Option A) authorizes only information disclosure without representation rights. Form 4506 (Option C) requests return copies, and Form 56 (Option D) reports fiduciary relationships. Only Form 2848 establishes representation authority under Circular 230.

**33. C** — Form 8821 authorizes a designated individual, regardless of credentials, to receive and inspect confidential tax information but grants no authority to represent the taxpayer or advocate before the IRS. Form 2848 (Option A) requires the representative to be eligible under Circular 230. Options B and D are unrelated administrative and estate tax forms.

**34. B** — Circular 230 prohibits individuals who have been disbarred or suspended from practice before the IRS from acting as a representative until reinstated. Enrolled agents (Option A), CPAs (Option C), and attorneys in good standing (Option D) are all eligible practitioners authorized to represent taxpayers before the IRS under Circular 230's eligibility requirements for Form 2848.

**35. D** — A representative may not sign a taxpayer's return or negotiate/endorse a refund check unless the specific authorization line on Form 2848 is separately completed, as these acts require explicit written consent under Circular 230. Receiving correspondence, discussing adjustments, and presenting arguments (Options A, B, and C) are standard representational acts included in general authority.

**36. A** — To revoke an existing authorization without naming a replacement, the taxpayer writes 'REVOKE' across the top of a copy of the prior Form 2848, signs and dates it, and submits it to the IRS CAF unit. Verbal requests (Option B), filing Form 8821 (Option C), and automatic expiration (Option D) do not properly revoke representation authority.

**37. C** — The Right to Retain Representation, one of the ten rights in the Taxpayer Bill of Rights, guarantees taxpayers may retain an authorized representative and, if unable to afford one, seek assistance from a Low Income Taxpayer Clinic. Options A, B, and D describe other distinct rights within the same framework but not representation specifically.

**38. D** — Correspondence examinations are conducted entirely by mail for relatively simple issues, such as documentation mismatches identified through automated matching programs, and require no face-to-face meeting. Office examinations (Option B) occur at an IRS office, and field examinations (Option A) occur at the taxpayer's business or representative's office for complex returns. Option C is unrelated.

**39. B** — The Discriminant Information Function, or DIF, scoring system statistically compares deductions, credits, and other return items against historical audit data to assign each return a score reflecting its potential for adjustment; higher-scoring returns are more likely selected. Random selection (Option A), state referrals (Option C), and manual review of every return (Option D) are not primary selection methods.

**40. A** — An Information Document Request, or IDR, is the standard written form revenue agents use during an examination to request specific books, records, and documentation from the taxpayer. A Notice of Deficiency (Option B) proposes a tax liability, a Revenue Agent Report (Option C) summarizes exam findings, and Option D applies to unified partnership proceedings, not information requests.

**41. D** — IRC Section 7602(c) requires the IRS to provide reasonable advance notice to the taxpayer before contacting third parties such as suppliers, employers, or banks, and to later furnish a list of contacts made upon request. No court order (Option A), representative-only notice (Option B), or Bulletin publication (Option C) satisfies this statutory notification requirement.

**42. C** — The IRS rejects general references such as 'all years' or 'all periods' on Form 2848 because the authorization must identify specific tax matters, forms, and periods; generic entries lack the required specificity. Options A, B, and D each properly identify a defined tax type, form, and bounded time period, satisfying Line 3 requirements.

**43. A** — The CAF number is a unique identifier assigned the first time a practitioner files a Form 2848 or 8821, allowing the IRS to track and cross-reference all authorizations associated with that representative across its systems. It is not a tax identification number (Option B), a CE tracker (Option C), or an e-file credential (Option D).

**44. B** — The IRS sends copies of notices and correspondence to a maximum of two representatives listed on a Form 2848 unless the taxpayer checks the box declining copies altogether. If more than two representatives are named, only the first two listed generally receive automatic copies, not all three or just one.

**45. C** — Under the Right to Retain Representation and related interview procedures, a taxpayer may stop an interview at any point to consult with an authorized representative, and the examiner must suspend questioning to allow that consultation. Options A, B, and D each misstate the taxpayer's unconditional right to pause and seek representation during an examination interview.

**46. A —** Field examinations are conducted in person by revenue agents, typically at the taxpayer's place of business or representative's office, and are reserved for more complex returns such as business or high-income individual filings. Options B, C, and D each describe traits inconsistent with field examinations, which are broader in scope than correspondence or office exams.

**47. B —** The Independent Office of Appeals' mission, per IRS Policy Statement 8-1 and the Taxpayer First Act, is resolving tax disputes without litigation, impartially benefiting both the taxpayer and the government. Appeals operates independently from Examination and Collection, follows ex parte communication restrictions to preserve that independence, and helps taxpayers avoid costly, time-consuming Tax Court litigation while maintaining compliance.

**48. D —** Under Rev. Proc. 2012-18 (as updated), a small case request is available when the total amount at issue for any tax period is $25,000 or less. Marisol's $18,000 deficiency qualifies, letting her use a brief written statement rather than the detailed formal written protest required for larger, more complex disputed amounts and issues.

**49. D —** Filing a Notice of Federal Tax Lien under §6323 provides public notice and establishes the IRS's priority against certain competing creditors, such as purchasers, holders of security interests, mechanic's lienors, and judgment lien creditors. The lien itself arises automatically under §6321 upon assessment; the NFTL simply perfects that priority publicly against third parties.

**50. A —** Under §6330, the IRS generally must issue a Final Notice of Intent to Levy and Notice of a Right to a Hearing at least 30 days before actually levying the taxpayer's property or rights to property. This notice informs the taxpayer of the right to timely request a Collection Due Process hearing before enforced collection begins.

**51. C —** Section 6334 lists property exempt from levy, including unemployment benefits, workers' compensation, certain public assistance payments, a statutory minimum amount of wages and salary, and specified household goods and tools of the trade up to defined dollar limits. Retirement accounts and rental real property are generally not automatically exempt from levy action.

**52. B —** A taxpayer dissatisfied with Appeals' Notice of Determination issued after a CDP hearing under §6330 must petition the Tax Court for judicial review within 30 days of the determination date. Missing this strict deadline generally forfeits judicial review of the CDP determination itself, though the underlying tax liability may sometimes remain otherwise disputable.

**53. B —** Section 6320 requires the IRS to notify a taxpayer within five business days of filing a Notice of Federal Tax Lien. The taxpayer then has 30 days from that notice to timely request a CDP hearing with Appeals; requesting later results only in an equivalent hearing without judicial review rights.

**54. C —** Under §6159(c), the IRS must grant a guaranteed installment agreement whenever the liability, excluding interest and penalties, is $10,000 or less, the taxpayer has timely filed and paid for the prior five years, cannot currently pay in full, and agrees to fully pay within three years while remaining fully compliant.

**55. D** — A streamlined installment agreement is generally available for aggregate balances up to $50,000, without requiring a detailed Collection Information Statement from the taxpayer, provided the taxpayer agrees to full payment within 72 months or before the collection statute expires, whichever is earlier, greatly simplifying approval compared to full financial analysis agreements.

**56. A** — A partial payment installment agreement allows monthly payments based on the taxpayer's demonstrated ability to pay, calculated from a full financial statement, even though the payments will not fully satisfy the liability before the collection statute of limitations expires. The IRS periodically reviews the taxpayer's financial condition during the agreement's term.

**57. B** — Doubt as to collectibility exists when the taxpayer's assets and income, measured as reasonable collection potential (RCP), are less than the total liability owed. Hector's claim that his RCP falls short of the full amount squarely fits this ground under §7122, distinct from disputes over the liability's accuracy or hardship-based ETA offers.

**58. C** — Doubt as to liability applies when a genuine dispute exists about the existence or correct amount of the assessed tax debt, such as an examiner's error or missed evidence. It differs from doubt as to collectibility, which concerns inability to pay, and does not require completion of a collection information statement.

**59. A** — An ETA offer is generally available when the tax liability is correctly owed and reasonable collection potential meets or exceeds the full liability, but collecting the entire amount would create economic hardship or would be unfair, inequitable, and contrary to compelling public policy or equity considerations, per Treasury Regulation §301.7122-1(b).

**60. D** — CNC status suspends active enforced collection because the taxpayer currently cannot pay basic living expenses and the liability, but it does not eliminate the debt. The collection statute of limitations continues running during CNC status, interest and penalties continue to accrue, and the IRS may resume collection if circumstances improve.

**61. B** — Under §6651(a)(1), the failure-to-file penalty accrues at 5% of unpaid tax per month or partial month of delinquency, but the statute caps the total penalty at 25% of the unpaid tax. Because Sandra's return was seven months late, the penalty has already reached that statutory ceiling and stops accruing further, regardless of additional delay.

**62. D** — IRC §6651(a)(2) imposes a failure-to-pay penalty of 0.5% of the unpaid tax for each month or partial month the tax remains unpaid, capped at 25%. When a §6651(a)(1) failure-to-file penalty also applies for the same month, that month's failure-to-file rate is reduced to 4.5%, keeping the combined monthly rate at 5%.

**63. A** — IRC §6662 imposes an accuracy-related penalty equal to 20% of the portion of any underpayment attributable to negligence or disregard of rules and regulations, substantial understatement of tax, or certain valuation misstatements. Because Marcus's careless recordkeeping constitutes negligence rather than fraud, the lower 20% civil penalty applies instead of the fraud penalty under §6663.

**64. C** — IRC §6663 imposes a civil fraud penalty equal to 75% of the portion of any underpayment that is attributable to fraud. Because Diane deliberately concealed income through a shell entity to evade tax, the examiner can establish fraudulent intent, and the resulting penalty is substantially higher than the ordinary 20% accuracy-related penalty under §6662.

**65. D** — Under IRC §6694(a), a preparer who takes an undisclosed, unreasonable position understating a client's liability faces a penalty equal to the greater of $1,000 or 50% of the income the preparer derived from preparing that return. This higher-of-two-amounts structure ensures the penalty is meaningful even for preparers who charged relatively low fees.

**66. B** — IRC §6695 addresses preparer conduct penalties beyond understatement of liability, including failure to sign a return, failure to furnish a copy to the taxpayer, failure to include a required identifying number such as a PTIN, and failure to retain copies. Since Patricia's violations involve signature and PTIN requirements, §6695 is the applicable Code section.

**67. A** — Reasonable cause under Treasury regulations allows penalty relief when a taxpayer exercised ordinary business care and prudence but was still unable to comply due to circumstances beyond their control, such as a casualty like a fire that destroyed records. Because Thomas promptly refiled once records were reconstructed, his facts support a reasonable-cause abatement request.

**68. C** — First-time abate is an administrative waiver available to taxpayers with a clean three-year compliance history who timely filed the return in question but incurred a failure-to-file, failure-to-pay, or failure-to-deposit penalty. Unlike reasonable cause, FTA does not require the taxpayer to prove any specific hardship or cause, only the clean prior compliance record.

**69. D** — Section 6015(b) innocent spouse relief applies when a joint return contains an understatement of tax attributable to erroneous items of one spouse, and the requesting spouse establishes they did not know and had no reason to know of the understatement. Since Angela meets both the knowledge and understatement elements, §6015(b) is the applicable relief provision.

**70. A** — Section 6015(c) permits eligible spouses who are divorced, legally separated, widowed, or living apart for the prior twelve months to elect separate liability treatment, allocating a joint deficiency between the spouses based on each spouse's own items. Because Gregory is legally separated and no longer shares a household, he qualifies for this allocation election.

**71. C** — Section 6015(f) provides equitable relief when a taxpayer does not qualify under §6015(b) or (c), including cases involving underpayments of properly reported tax rather than an understatement, and it would be inequitable to hold the requesting spouse liable considering all facts and circumstances. Renee's situation fits precisely within this residual equitable category.

**72. B** — Form 8379, Injured Spouse Allocation, allows a spouse who filed a joint return to recover their share of an overpayment that was applied to the other spouse's separate pre-marital debt, such as a defaulted student loan. Because Victor's withholding contributed to the refund seized for his wife's debt, Form 8379 is the correct remedy.

**73. D —** IRC §6672 authorizes the IRS to assess the trust fund recovery penalty, equal to 100% of unpaid withheld income and employment taxes, personally against any responsible person who willfully failed to collect, account for, and pay over those trust fund amounts. Michelle's decision to pay other creditors ahead of the IRS demonstrates the required willfulness element.

**74. C —** Responsible-person status for §6672 purposes turns on whether the individual had the authority and duty to control corporate finances, particularly the power to decide which creditors were paid, rather than on formal title, tenure, or return-preparation duties. Because Harold controlled which bills were paid, courts would treat that authority as decisive evidence.

**75. A —** Under IRC §6501(a), the general assessment statute of limitations runs three years from the later of the return's filing date or its due date, absent fraud, a substantial omission of income exceeding 25%, or an unfiled return. Since Natalie filed on April 15, 2023 with no substantial omission, the period expires April 15, 2025.

**76. B —** IRC §6502 grants the IRS ten years from the date of assessment to collect the tax through levy or a court proceeding, and this collection period begins running once the assessment is made regardless of whether an extension was signed. Because Peter's tax was assessed June 1, 2024, the IRS generally has until June 1, 2034 to collect.

**77. A —** Audit reconsideration is an informal administrative process allowing the IRS to reevaluate a prior assessment when the taxpayer presents new information not previously considered, without requiring full payment first or filing in Tax Court. Since Julia has new documentation and the collection period barred further formal disputes, reconsideration is the appropriate remedy her representative should pursue.

**78. C —** Sound recordkeeping practice under Circular 230's due diligence obligations calls for retaining copies of prepared returns and supporting workpapers for at least three years from the filing date or the return's due date, whichever is later, mirroring the general §6501 assessment period so a preparer can substantiate positions if the IRS later examines the return.

**79. D —** The Taxpayer Advocate Service is an independent organization within the IRS that assists taxpayers experiencing significant economic hardship or unresolved problems through normal channels, including levies that prevent a family from meeting basic living expenses. Daniel's client qualifies for TAS assistance under these hardship criteria even though the underlying tax debt itself is valid.

**80. B —** The first-time abate administrative waiver is specifically designed for taxpayers with a clean multi-year compliance history who incurred an isolated penalty, and it requires no showing of reasonable cause, illness, or other documented hardship, unlike reasonable-cause relief. Since James's client has a five-year clean history, FTA is the most efficient relief to pursue.

**81. A —** A requesting spouse generally must file Form 8857 to elect relief under §6015(b) or (c) no later than two years after the date the IRS first began collection activity against that spouse with respect to the joint liability. This two-year deadline does not apply to equitable relief requests made under §6015(f), which uses a different timeframe.

**82. B —** In civil fraud cases, IRC §7454 places the burden of proof squarely on the IRS, which must establish fraud by clear and convincing evidence, a higher standard than the preponderance of the evidence standard generally applicable to other Tax Court disputes. This heightened burden reflects the serious nature of a fraud determination against Margaret.

**83. C —** Beyond proving responsible-person status, the IRS must also establish that the individual acted willfully under §6672, meaning the person knew the trust fund taxes were unpaid, or recklessly disregarded an obvious risk that they were not being paid, when funds were available to pay other creditors instead of the government.

**84. D —** IRC §6501(c)(3) provides that when a taxpayer fails to file a required return at all, the assessment statute of limitations does not begin to run, meaning the IRS may assess the tax at any time. This is why Olivia's failure to file leaves her permanently exposed to assessment until a return is eventually filed.

**85. A —** Under §6011(e) and Treas. Reg. §301.6011-7, a 'specified tax return preparer' who reasonably expects to file more than 10 covered individual income tax returns in a calendar year must generally e-file those returns. Marcus's 15 returns exceed the threshold, triggering the mandate regardless of firm size, fee arrangements, or refund amount.

**86. B —** An ERO must ensure the electronic return is accurate before transmission and that the taxpayer has properly authorized filing, typically via Form 8879. EROs do not assess audit risk, guarantee refund timing, or condition state filings on federal refund receipt; those tasks fall outside the ERO's defined responsibilities under IRS e-file rules.

**87. C —** Per IRS e-file requirements, an ERO must retain a copy of Form 8879 for three years from the return's due date or the date the IRS received the return, whichever is later. This retention period ensures documentation is available if the IRS questions signature authorization or return authenticity during that time.

**88. C —** Under §6511(a), a claim for refund must generally be filed within three years from the date the original return was filed, or two years from the date the tax was paid, whichever is later. Since Angela filed and paid on April 15, 2023, her deadline is April 15, 2026, three years later.

**89. D —** Section 6511(a) requires a timely refund claim within three years of filing (here, none was timely filed) or two years from the date of payment, whichever is later. Terrence's April 2020 payment means the two-year window closed in 2022. Filing in June 2026 falls outside both periods, so his refund claim is time-barred.

**90. A —** Section 6107(b) allows a preparer to satisfy recordkeeping by maintaining a list of each taxpayer's name, identification number, taxable year, and type of return prepared, in lieu of retaining full copies. This list, like retained copies, must be kept and made available for three years after the close of the return period.

**91. D** — Section 6695(g) imposes a penalty on preparers who fail to satisfy due diligence requirements for the EITC, CTC/ACTC, AOTC, or head-of-household filing status. The penalty amount is indexed annually for inflation; for 2026 it is $600 per failure, per applicable credit or status, potentially multiplying if several apply to one return.

**92. B** — Due diligence under §6695(g) requires the preparer to complete Form 8867, ask the taxpayer questions reasonably necessary to determine eligibility, and contemporaneously document the inquiries and responses in the files. Preparers need not independently verify documents with third parties, refuse engagements outright, or delegate the form to the client alone.

**93. C** — Using Form 8888, Allocation of Refund, a taxpayer may split a direct deposit refund among up to three separate accounts or eligible financial products, such as checking, savings, or IRA retirement accounts. This limit exists to help curb fraud and processing errors associated with excessive account splitting on a single federal refund transaction.

**94. B** — A taxpayer may claim head of household status for a dependent parent even though the parent does not live with the taxpayer, provided the taxpayer paid more than half the cost of maintaining the parent's separate home for the year. Gordon meets this special rule, so head of household applies.

**95. A** — Taxpayers electronically sign returns using a Self-Select PIN, a five-digit number they choose, combined with their prior-year adjusted gross income or prior-year PIN for identity verification. Scanned handwritten signatures, verbal phone confirmation, and mailing a paper return alongside an e-filed one are not recognized e-signature verification methods under current IRS e-file procedures.

**96. D** — When prior-year AGI or PIN verification is unavailable, IRS e-file procedures require the ERO to verify the taxpayer's identity by reviewing a valid government-issued photo identification document, such as a driver's license or passport, before completing the Form 8879 signature process and then transmitting the finalized return electronically to the IRS.

**97. B** — When a client chooses to opt out of e-filing, the preparer must obtain a signed statement from the taxpayer reflecting that choice and attach Form 8948, Preparer Explanation for Not Filing Electronically, to the paper return. This documents the client-driven exception under Treas. Reg. §301.6011-7 to the e-file mandate for specified preparers.

**98. C** — On a joint return, both spouses must sign Form 8879 to authorize the ERO to transmit the electronically filed return using their selected PINs. Transmitting the return before obtaining both signatures violates e-file authorization procedures, since each spouse's independent consent is required before a jointly filed return may be transmitted.

**99. A** — Under the informal claim doctrine, a timely written communication that adequately identifies the taxpayer, tax year, and grounds for refund can preserve refund rights even without a formal Form 1040-X, provided it is later perfected by a formal claim. It does not itself grant the refund or extend the limitations period.

**100. D** — IRS direct deposit rules generally require that the refund be deposited into an account bearing the taxpayer's own name, to reduce fraud and misapplied refunds. Depositing into a third party's account, such as a boyfriend's, is not permitted regardless of consent, refund amount, or attempted designation via Form 8888 allocation elections.