PRACTICE EXAM 31: 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. Thaddeus Byrne, an enrolled agent, tells a colleague that Circular 230's standards of conduct apply only when a practitioner is dealing with the IRS Examination or Collection functions, and do not apply to correspondence with the IRS Independent Office of Appeals. Is Thaddeus correct?

A. Yes, because Appeals proceedings are informal and fall outside Circular 230's coverage
B. No, because Circular 230 covers only Collection matters, excluding Appeals and Examination
C. No, because "Internal Revenue Service" under Circular 230 includes every IRS office and bureau
D. Yes, because only attorneys are bound by Circular 230 when appearing before Appeals

2. Wilhelmina Prescott, an enrolled agent, moved her office six months ago but never updated the address associated with her Centralized Authorization File (CAF) number. As a result, several IRS notices concerning a client's account were mailed to her old suite and returned as undeliverable. Which statement best describes Wilhelmina's obligation under Circular 230?

A. Wilhelmina has no duty to update her CAF address unless the IRS specifically requests it
B. Wilhelmina must keep her CAF record current so IRS correspondence reaches her promptly
C. Wilhelmina's CAF address only matters for renewal notices, not case-specific correspondence

D. Wilhelmina may rely on her client to forward any misdirected IRS notices to her

3. Trevor Nash, an enrolled agent, is preparing to go on medical leave. He offers to let his seasonal assistant, who has no PTIN of her own, use his personally assigned PTIN to sign returns while he recovers. What is the problem with Trevor's plan?

A. Nothing, because a PTIN may be shared among staff within the same firm
B. Nothing, because PTINs identify the firm rather than the individual preparer
C. It is improper only if the assistant is paid a commission for the work
D. A PTIN is personally assigned and may never be used by another individual

4. Guinevere Mott holds a valid PTIN and prepares tax returns for compensation, but she has never passed the Special Enrollment Examination, obtained IRS experience-based enrollment, or otherwise become an enrolled agent. Which statement correctly describes her status?

A. Guinevere is a registered PTIN holder but is not enrolled to practice before the IRS
B. Guinevere is automatically enrolled to practice once she obtains an active PTIN
C. Guinevere's PTIN alone grants her full representation rights identical to an enrolled agent
D. Guinevere is considered enrolled because she prepares returns for compensation regularly

5. Colin Bradshaw is both a licensed CPA and an enrolled agent. When representing a client before the IRS Collection function, Colin identifies himself only as a CPA rather than mentioning his enrolled agent credential. How does Circular 230 apply to Colin's representation in this matter?

A. Circular 230 does not apply because Colin invoked his CPA license, not his EA credential
B. Circular 230 applies only to the portions of his work performed as an enrolled agent
C. Circular 230 governs Colin's conduct regardless of which credential he identifies himself by
D. Colin may choose which credential's ethics rules govern each representation he undertakes

6. Renee Castillo, an enrolled agent, is approached by a prospective client whose case she simply does not wish to take on due to a heavy existing caseload. She has no conflict of interest and nothing prevents her from accepting the engagement other than personal preference. May Renee decline to represent this taxpayer?

A. No, an enrolled agent must accept any client who requests representation before the IRS
B. Yes, a practitioner may decline representation of a prospective client for any lawful reason
C. No, declining representation without a documented conflict of interest violates Circular 230
D. Yes, but only if she first refers the prospective client to another enrolled agent

7. Bishop & Ferris LLP employs several nonsigning support staff who are not enrolled agents, CPAs, or attorneys and who assist with gathering client documents and drafting portions of returns under supervision. Gary Bishop, the managing partner, wants to confirm the firm's obligations toward this staff under Circular 230. What is required?

A. The firm must reasonably train and oversee nonsigning staff to ensure competent work
B. The firm has no obligations toward staff who never sign returns or represent clients
C. Each nonsigning staff member must independently obtain a PTIN before touching any client file
D. Nonsigning staff must pass the Special Enrollment Examination within one year of hire

8. Wanda Ellison's enrollment as an enrolled agent lapsed eighteen months ago because she failed to complete her renewal on time and never applied for inactive or retirement status. She continues to sign powers of attorney and represent clients before the IRS Collection function. Is Wanda's continued representation proper?

A. Yes, because a lapse in enrollment only affects CE requirements, not representation authority
B. Yes, because prior enrollment permanently qualifies a person to practice before the IRS
C. No, but only because she failed to notify her clients of the lapse
D. No, enrollment must remain current and unexpired for her to lawfully practice before the IRS

9. Felix Okafor completes a 10-hour ethics course through Horizon Tax Academy, an IRS-approved continuing education provider. Regarding how the IRS learns that Felix completed these hours, which statement is accurate?

A. Felix must personally submit his certificate of completion to the IRS PTIN system
B. The IRS relies solely on Felix's self-reported CE hours entered at renewal time

C. Horizon Tax Academy must report the completed hours directly to the IRS PTIN system
D. CE hours are never verified by the IRS unless an audit is triggered

10. Sandra Liu, an enrolled agent, wants to represent a client in a tax refund suit filed in U.S. District Court after an unsuccessful administrative claim. May Sandra represent the client in that proceeding based on her enrolled agent status alone?

A. Yes, enrolled agents may appear in any federal court on tax matters
B. Yes, but only if the amount in controversy is below a set dollar threshold
C. No, because enrolled agents may only represent clients in state tax court proceedings
D. No, representation in federal district court requires an attorney, beyond practice before the IRS

11. Ahmad Rassoul, an enrolled agent, wants to represent clients in cases before the United States Tax Court, not merely at the administrative level. What must Ahmad do to gain that authority?

A. Nothing further; enrollment as an EA automatically confers full Tax Court practice rights
B. He must separately apply for Tax Court admission and pass its own non-attorney exam
C. He must first become licensed as an attorney in at least one state
D. He must obtain a special IRS waiver available only to enrolled actuaries

12. Louise Tran earned her enrolled agent credential while living in Ohio and has since relocated her practice to Texas and later to Florida. Does Louise need to obtain any additional state licensure to continue representing clients before the IRS in her new locations?

A. No, enrolled agent status is valid nationwide without separate state licensure
B. Yes, she must re-register her EA credential in every state where she practices
C. Yes, each state's board of accountancy must approve out-of-state enrolled agents
D. No, but she may only represent clients located within her original state of enrollment

13. Oscar Delgado, an enrolled agent, wants to name his new practice "Ridgeline Certified Tax Attorneys," even though no attorney works at the firm and none of its staff hold CPA licenses. Is this firm name permissible under Circular 230?

A. No, a firm name may not falsely imply credentials that the firm does not hold
B. Yes, firm names are unregulated as long as the owner is enrolled to practice
C. Yes, provided the firm discloses staff credentials somewhere on its website
D. No, but only because "Ridgeline" duplicates another registered firm's trade name

14. The Office of Professional Responsibility sends Petra Dunleavy, an enrolled agent, a written request for information regarding her own conduct in a matter under preliminary review. Petra is busy and considers ignoring the letter since no formal proceeding has been opened yet. What does Circular 230 require of her?

A. Petra may wait until a formal disciplinary proceeding is officially opened before responding
B. Petra may respond through her attorney only, with no independent obligation of her own
C. Petra has no duty to respond unless the request is sent by certified mail
D. Petra must promptly and directly respond to the IRS's written request about her conduct

15. Curtis Vance was disbarred from practice before the IRS following a disciplinary proceeding. He subsequently receives a notice of deficiency concerning his own personal income tax return. May Curtis respond to the IRS and handle this matter concerning his own taxes?

A. No, disbarment strips an individual of all rights to communicate with the IRS
B. Yes, a disbarred individual may still represent himself personally on his own tax matters
C. No, Curtis must hire an enrolled agent to handle even his own personal return
D. Yes, but only if he first petitions the Office of Professional Responsibility for approval

16. Yvonne Marsh, an enrolled agent, recently filed for personal Chapter 7 bankruptcy due to unrelated medical debt. No allegations of misconduct, dishonesty, or fee-related misappropriation are connected to the filing. What is the effect of this bankruptcy filing on Yvonne's ability to practice before the IRS?

A. Yvonne's enrollment is automatically suspended for the duration of the bankruptcy proceeding
B. Yvonne must surrender her enrollment card until the bankruptcy is formally discharged
C. Generally none, since personal bankruptcy alone is not grounds for discipline absent misconduct

D. Yvonne must notify every current client in writing before continuing any representation

17. Revenue Agent Laura Whitfield sends enrolled agent Marcus Deleon a written request for his client's engagement records during an examination. Deleon has no legal basis to believe the records are privileged. Under §10.20, what must Deleon do?

A. Deleon may wait until the client authorizes disclosure in writing before responding.
B. Deleon may refuse the request unless the IRS issues a formal summons instead.
C. Deleon must promptly submit the requested records unless a proper privilege applies.
D. Deleon must first consult OPR before releasing any client records at all.

18. CPA Fiora Kestenbaum believes certain client communications requested by the IRS are protected by the §7525 tax practitioner privilege. Instead of simply ignoring the request, what should Osei do under Circular 230?

A. Inform the requesting officer in writing and identify the privilege basis and documents withheld.
B. Discard the records so the privilege question never has to be formally addressed.
C. Wait silently and let the deadline pass without any written response whatsoever.
D. File a federal lawsuit immediately instead of responding to the information request.

19. Taxpayer Gordon Pace wants to represent himself before the IRS during an audit without being an enrolled practitioner. Under §10.7(b), is this permitted?

A. No, only enrolled agents or attorneys may appear regarding Pace's own tax matters.
B. Yes, an individual may always represent themselves before the IRS without enrollment.
C. No, self-representation requires prior written approval from the Office of Professional Responsibility.
D. Yes, but only if Pace first passes the Special Enrollment Examination beforehand.

20. Without being enrolled, Simone Vaccaro wishes to represent her father before the IRS regarding his individual income tax return. Under §10.7(a), is this permissible?

A. No, only enrolled agents may represent parents in any IRS matter.

B. No, immediate family representation always requires a valid power of attorney form.

C. Yes, but only if Nair is also a licensed attorney or CPA.

D. Yes, an individual may represent an immediate family member without enrollment.

21. Attorney Dana Kirkwood's state bar license is suspended for nonpayment of dues. She continues representing clients before the IRS as an attorney-practitioner. What is the effect on her eligibility to practice?

A. Nothing changes because federal Circular 230 status is independent of state licensure entirely.

B. She may continue practicing until OPR issues a formal disciplinary complaint against her.

C. She retains eligibility as long as the suspension is administrative rather than disciplinary.

D. She automatically loses eligibility to practice because she is no longer currently qualified.

22. OPR opens an investigation into enrolled agent Felix Amato's conduct. Amato's competitor asks OPR to disclose the investigative file's contents while the matter remains open. Should OPR release it?

A. Yes, all OPR investigative files are public record once an investigation formally opens.

B. Yes, but only after the competitor submits a written Freedom of Information Act request.

C. No, pending OPR investigative files are generally kept confidential while still open.

D. No, but the practitioner's name and allegations must still be publicly posted.

23. Enrolled agent Corinne Baptiste is assessed a Title 26 return preparer penalty for the same conduct that also violates Circular 230 standards. May OPR still pursue separate disciplinary sanctions against her?

A. Yes, §10.32 allows separate Circular 230 sanctions even when other penalties apply.

B. No, imposing the Title 26 penalty bars any further Circular 230 action.

C. No, double jeopardy protections prevent any additional disciplinary proceeding from OPR.

D. Yes, but only if the Title 26 penalty is later overturned on appeal.

24. Bookkeeper Zachary Holloway notices that a CPA appears to have violated several Circular 230 provisions. Holloway is not the CPA's client. What is Holloway's obligation regarding reporting this to OPR?

A. Holloway is legally required to file a formal complaint within thirty days.
B. Holloway is encouraged, though not legally required, to submit a written report to OPR.
C. Holloway may report the conduct only through the state board of accountancy.
D. Holloway has no lawful means of reporting suspected violations to OPR at all.

25. Enrolled agent Barnaby Okonkwo fails to complete his enrollment renewal by the required deadline. What happens to his status until he satisfies the renewal requirements?

A. He is placed on the roster as not currently eligible to practice.
B. He is automatically disbarred and must wait five years to reapply.
C. His enrollment remains fully active until OPR files a formal complaint.
D. He may continue practicing for one additional grace year without penalty.

26. OPR files a formal disciplinary complaint against attorney Simone Rourke. Which element must the complaint contain?

A. A settlement offer that Rourke must accept within fifteen calendar days.
B. A plain statement of the factual and legal basis for the charges.
C. A transcript of every prior IRS examination Rourke has ever handled.
D. A recommendation letter from a state bar disciplinary committee official.

27. Enrolled agent Rosalind Achebe is named in an OPR disciplinary proceeding. May she be represented by counsel or another practitioner during the hearing?

A. No, practitioners facing OPR proceedings must always represent themselves pro se.
B. No, only licensed attorneys admitted to the Tax Court may appear for her.
C. Yes, but only during settlement negotiations and never during the actual hearing.
D. Yes, she may be represented by counsel or another practitioner throughout the proceeding.

28. During enrolled agent Hector Salgado's disciplinary hearing, the administrative law judge rules certain proposed exhibits inadmissible and limits the scope of discovery. Is this within the ALJ's authority?

A. No, only OPR's Director may determine which exhibits are admissible at hearing.
B. No, evidentiary and discovery rulings require prior approval from the Treasury Secretary.
C. Yes, the ALJ has authority to admit or exclude evidence and manage discovery.
D. Yes, but only if both parties jointly consent to each individual ruling.

29. Preparer Odell Franks takes a return position with no reasonable basis in the law and no good-faith argument for extending existing law. How would this position most likely be characterized under Circular 230's advice standards?

A. Aggressive but arguable, since novel positions are inherently protected from any sanction.
B. Frivolous, because it lacks a reasonable basis and cannot be supported in good faith.
C. Reasonable, provided the client independently consented to accepting the associated risk.
D. Substantially authorized, since any documented client instruction satisfies the applicable standard.

30. Practitioner Yvette Dumont makes one isolated clerical mistake on a client's schedule, with no history of similar errors and no evidence of recklessness. Is this single lapse generally sufficient for Circular 230 sanctions?

A. Yes, any single documented error automatically triggers a formal disciplinary complaint.
B. Yes, isolated mistakes are treated identically to a pattern of repeated negligence.
C. No, an isolated act of ordinary carelessness generally does not alone warrant sanctions.
D. No, but Dumont must still surrender her enrollment credential voluntarily regardless.

31. When enrolled agent Marisol Peña completes Part II of Form 2848, she signs a declaration under penalties of perjury. What must this declaration accurately reflect?

A. Her correct eligibility category, such as enrolled agent, attorney, or CPA status.
B. Her personal estimate of the client's total tax liability for the year.
C. The exact number of hours she anticipates spending on the client's matter.
D. A list of every other client she currently represents before the IRS.

32. Alistair Kimathi receives an examination report proposing to disallow a Schedule C deduction. Within the response period, he submits receipts, invoices, and a written explanation to the examiner and expects the IRS to review this documentation and reply, agreeing or explaining its disagreement, before the case proceeds further. Which right specifically covers this expectation?

A. Right to Appeal an IRS Decision in an Independent Forum
B. Right to a Fair and Just Tax System
C. Right to Retain Representation in Proceedings
D. Right to Challenge the IRS's Position and Be Heard

33. Odessa Farrington identifies a computational error on her IRS bill that resulted in tax assessed beyond the amount actually owed under the law. Which right guarantees that she is legally obligated to pay only the correct tax liability, including properly assessed interest and penalties?

A. Right to Pay No More Than the Correct Amount of Tax
B. Right to Quality Service from IRS Employees
C. Right to Confidentiality of Return Information
D. Right to Appeal an IRS Decision in an Independent Forum

34. During a telephone inquiry, IRS assistor Priya Nandakumar answers courteously, explains the issue clearly, and promptly transfers a complex question to a qualified specialist rather than guessing. Her conduct primarily reflects which right?

A. Right to Finality
B. Right to a Fair and Just Tax System
C. Right to Challenge the IRS's Position and Be Heard
D. Right to Quality Service

35. Douglas Finch owes back taxes but is facing significant financial hardship. He asks the IRS to consider his facts and circumstances, including his ability to pay, before enforcing full immediate collection. This consideration is supported by which right?

A. Right to Privacy
B. Right to Retain Representation
C. Right to a Fair and Just Tax System
D. Right to Be Informed

36. Rosalind Ames moved to a new address but never filed Form 8822 or otherwise notified the IRS. The IRS later mails a statutory notice of deficiency to her old address on file. Under IRC section 6212, what is the legal effect on the notice's validity?

A. The notice is automatically invalid because Rosalind never actually received it
B. The notice is legally valid because it was mailed to her last-known address
C. The notice is valid only if her representative separately receives a copy
D. The notice must be re-mailed once the IRS learns her correct address

37. Revenue agent Trevor Lindqvist proposes disallowing several deductions on Sandra Ortiz's return. Her enrolled agent disagrees with the proposed treatment and wants to raise the issue above the examiner's level, but before elevating the case to Appeals. What should the representative request first?

A. A hearing before the United States Tax Court
B. A collection due process hearing with Appeals
C. Mediation arranged through the Taxpayer Advocate Service
D. A conference with the examination group manager

38. Enrolled agent Bethany Cole prepares a Form 2848 for a client and, to save time, signs the taxpayer's name herself on the declaration before mailing it to the CAF unit. Is this Form 2848 valid?

A. No, the taxpayer, or a person with documented legal signing authority, must sign personally
B. Yes, a representative may always sign for a client with verbal consent

C. Yes, Form 2848 does not require any taxpayer signature at all
D. No, only a court-appointed guardian may ever sign Form 2848

39. Julian Marsh's case reaches Appeals, and his representative introduces documentary evidence that was never presented to the revenue agent during the examination. Under the Appeals Judicial Approach and Culture (AJAC) practices, how will Appeals typically handle this new evidence?

A. Appeals will immediately rule for the taxpayer based on the new evidence
B. Appeals will generally send the new evidence back to Examination for review
C. Appeals will permanently disregard the evidence and exclude it from the file
D. Appeals will forward the new evidence directly to the Tax Court

40. Enrolled agent Farrah Nasser wants a client to sign a Form 2848 remotely and have it submitted directly to the CAF unit without mailing or faxing a paper form. Which IRS option allows this?

A. The Income Verification Express Service (IVES)
B. The Practitioner Priority Service telephone line
C. The Submit Forms 2848 and 8821 Online tool
D. The Where's My Refund online portal

41. Wendell Pruitt's examination is scheduled at an IRS office several hundred miles from his residence, creating a significant travel burden for him and his representative. What may Wendell request to address this hardship?

A. An automatic abatement of any proposed deficiency amount
B. A transfer of the examination to a more convenient IRS office
C. Immediate closure of the case as agreed without review
D. Dismissal of the examination for improper venue selection

42. Corinne Adebayo, an enrolled agent, completes the declaration of representative section on Form 2848 and must designate her credential type there. What is required of this designation?

A. It must accurately state her actual credential and is signed under penalties of perjury
B. It may list any credential she believes will impress the examiner
C. It is optional and may be left blank if she has a CAF number
D. It must list every credential she has ever held, active or expired

43. Desmond Wray, the court-appointed executor of the Estate of Ruth Talmadge, wants an enrolled agent to represent the estate at an upcoming examination. Rather than attending in person, Desmond signs Form 2848 as fiduciary and names the enrolled agent as representative. Is this an acceptable method of establishing representation?

A. No, the fiduciary must always personally attend the examination instead
B. No, only a standalone Form 56 can establish valid representation
C. Yes, the fiduciary may sign Form 2848 naming a representative for the estate
D. Yes, but only after the IRS separately pre-approves the arrangement

44. Revenue agent Owen Castellano is examining a return involving complex transfer-pricing issues beyond his general expertise. What resource may the IRS use to assist him during the examination?

A. Only the taxpayer's own representative may advise the examining agent
B. The examination must be closed no-change until Owen gains expertise
C. The case must be transferred entirely to Criminal Investigation
D. A technical specialist or subject-matter expert may assist with the issue

45. Ignacio Duarte, representing a client before Appeals officer Naomi Vasquez, cannot travel to the Appeals office and asks whether the conference can proceed without meeting in person. What is generally true?

A. Appeals conferences must always occur in person at an IRS office
B. Appeals conferences may only be conducted through written correspondence
C. Appeals will automatically dismiss the case if travel is not possible
D. Appeals generally allows telephone or virtual conferences instead of meeting in person

46. Revenue agent Celeste Okafor completes her examination of Miriam Sutter's return and drafts a Revenue Agent Report proposing adjustments. Before closing the case as unagreed, what must Celeste generally provide Miriam or her representative?

A. Immediate referral to Criminal Investigation without further notice

B. A reasonable opportunity to review the report and respond before closing

C. A binding settlement offer that cannot later be appealed

D. Automatic assessment of the proposed deficiency that same day

47. Roderick Fennimore owes $85,000 in delinquent income tax, and the IRS has already served a levy on his bank account. Roderick files a Chapter 7 bankruptcy petition. Under 11 U.S.C. §362, what is the immediate effect on the IRS's pending collection efforts?

A. The IRS may proceed with the levy because tax debts are excluded from stay protection.

B. The IRS must release the levy but may immediately file a new lien instead.

C. The automatic stay halts most further IRS collection actions until relief is obtained.

D. The stay applies only to court proceedings and does not affect administrative levies.

48. Anneliese Vogt wants to discharge her 2019 federal income tax liability in a Chapter 7 bankruptcy filed in 2026. Assuming the return was filed on time and no fraud is involved, which timing requirement must ALL be satisfied for the tax debt to be dischargeable?

A. The return was due more than 3 years, filed more than 2 years, and assessed more than 240 days before filing.

B. The return was due more than 2 years, filed more than 3 years, and assessed more than 180 days before filing.

C. The return was due more than 5 years before filing, with no additional filing or assessment requirements.

D. The return was assessed more than 3 years before filing, with no requirement regarding the filing date.

49. Denise Okafor is preparing to submit a Form 656, Offer in Compromise, on behalf of a client. Which statement correctly describes the application fee and initial payment requirements?

A. The $205 application fee is always required, but the initial payment may always be waived upon request.

B. Both the application fee and the initial payment are waived if the taxpayer meets the low-income certification guidelines.

C. Only corporate taxpayers may qualify for a waiver of the application fee and initial payment.

D. The application fee is waived for all offers, but the initial payment is never waived.

50. Carlos Benitez submitted a Form 656 offer in compromise on March 1, 2024. As of April 1, 2026, the IRS has neither accepted nor rejected the offer. Under §7122, what is the result?

A. The offer automatically expires and Carlos must resubmit with a new application fee.

B. The offer remains pending indefinitely until the IRS issues a formal written decision.

C. The offer is deemed accepted because the IRS failed to act within 24 months.

D. The offer is automatically forwarded to the Tax Court for a final ruling.

51. Taxpayer Melinda Ashcroft owes $9,000, enters a Direct Debit Installment Agreement, and makes three consecutive on-time payments by direct debit. Under the Fresh Start initiative, what may she now request regarding a previously filed Notice of Federal Tax Lien?

A. Withdrawal of the Notice of Federal Tax Lien, since the DDIA and payment history satisfy Fresh Start criteria.

B. Automatic release of the underlying tax liability itself, not merely the lien notice.

C. A reduction in the DDIA monthly payment amount as compensation for early lien filing.

D. Nothing; Fresh Start withdrawal relief applies only to liens filed before an installment agreement exists.

52. Renata Alvarez, a former corporate officer, receives a Letter 1153 proposing a Trust Fund Recovery Penalty against her for unpaid employment taxes. She disagrees with the proposed assessment. What should she do before the assessment becomes final?

A. Submit a written protest requesting an Appeals conference within the response period.

B. Wait for the IRS to assess the penalty, then request a CDP hearing only.

C. File a claim for refund since no pre-assessment appeal right exists for TFRP.
D. Petition the Tax Court immediately, since no administrative appeal is available for TFRP.

53. How many days does a taxpayer generally have to protest a proposed Trust Fund Recovery Penalty assessment to the Independent Office of Appeals after receiving Letter 1153?

A. 30 days from the date the letter was mailed to the taxpayer.
B. 60 days from the date the letter was mailed to the taxpayer.
C. 90 days from the date the letter was mailed to the taxpayer.
D. 10 days from the date the letter was mailed to the taxpayer.

54. Which statement best distinguishes an IRS levy from an IRS seizure?

A. A levy reaches intangible property rights like wages and bank accounts, while a seizure reaches tangible physical property.
B. A levy reaches only real estate, while a seizure reaches only intangible financial accounts.
C. A levy and a seizure are legally identical terms describing the same collection action.
D. A levy requires a court order, while a seizure never requires any legal process.

55. A bank receives a Notice of Levy from the IRS on a delinquent taxpayer's checking account. How long must the bank hold the funds before turning them over to the IRS?

A. The bank must turn over the funds immediately upon receipt of the notice.
B. The bank must hold the funds for 10 days before releasing them.
C. The bank must hold the funds for 30 days before releasing them.
D. The bank must hold the funds for 21 days before releasing them.

56. How does a levy on wages differ from a levy on a bank account in terms of duration?

A. Both levy types are one-time actions that attach only to funds on hand.
B. Both levy types remain continuously in effect until affirmatively released by the IRS.

C. A wage levy is continuous until released, while a bank levy attaches only once.
D. A bank levy is continuous until released, while a wage levy attaches only once.

57. The IRS mistakenly levies a bank account belonging to Trevor Wu, believing it belongs to his brother, the actual delinquent taxpayer. What remedy allows Trevor to seek return of the wrongfully levied property?

A. Trevor may only pursue relief through a Collection Due Process hearing request.
B. Trevor may request return of the property under §6343(d) as its rightful owner.
C. Trevor has no remedy because levies on third-party accounts cannot be challenged.
D. Trevor must wait for his brother to resolve the underlying tax liability first.

58. Before her father's tax liability was assessed, Angela Cortez received his vacation property as a gift for no consideration. The IRS later seeks to collect the unpaid tax from Angela. What theory allows this?

A. Joint and several liability, because family members automatically share tax debts.
B. Successor liability, which applies only to entities that purchase business assets.
C. Transferee liability under §6901, reaching assets transferred without adequate consideration.
D. Innocent spouse relief, which shifts liability to the receiving family member.

59. The IRS discovers that a rental property is titled in the name of Lauren Pruitt's adult son, but Lauren continues to pay the mortgage, control the property, and collect the rental income herself while owing back taxes. What collection tool allows the IRS to reach this property?

A. A nominee lien or levy, because the son merely holds title for Lauren's benefit.
B. A jeopardy levy, because the property was transferred to avoid immediate seizure.
C. A transferee liability assessment, because the son paid no consideration for title.
D. A qualifying subordination agreement, because the son agreed to hold title temporarily.

60. Once a Notice of Federal Tax Lien is properly filed, how does the IRS lien generally rank against other creditors?

A. The IRS lien is always subordinate to every other creditor, regardless of filing date.
B. The IRS lien automatically extinguishes all other liens filed before the tax lien.
C. The IRS lien ranks equally with all creditors, sharing proceeds proportionally in every case.
D. The IRS lien generally has priority, except against certain purchasers lacking notice of it.

61. Corbin Ashworth did not file his individual return for three years, and the IRS proves by clear and convincing evidence that his failure to file was fraudulent. Under §6651(f), how is the failure-to-file penalty computed instead of the ordinary rate?

A. 15% per month on the unpaid tax, capped at a maximum of 75%
B. 5% per month on the unpaid tax, capped at a maximum of 25%
C. A single flat 75% penalty assessed once the return is filed late
D. 25% per month on the unpaid tax, capped at a maximum of 100%

62. Elena Vasquez participated in a listed transaction and understated her tax liability as a result. She adequately disclosed the transaction on Form 8886. Under §6662A, what penalty rate applies to the resulting reportable transaction understatement?

A. 40% of the understatement, applied uniformly regardless of disclosure status
B. 5% per month on the understatement, capped at 25% overall
C. 75% of the understatement, the same rate used for civil fraud
D. 20% of the understatement, increasing to 30% if undisclosed

63. Priya Chandran engaged in a reportable transaction but failed to file Form 8886 disclosing it with her return, even though the transaction produced no additional tax understatement. Under §6707A, what is the consequence?

A. No penalty applies, since §6707A only reaches transactions creating an understatement
B. A 20% accuracy-related penalty under §6662A applies instead of §6707A
C. A flat dollar penalty applies for the failure to disclose alone
D. The penalty applies only once the transaction is confirmed as a tax shelter

64. Derek Holloway filed a return that the IRS later proves, by clear and convincing evidence, was false and fraudulent with intent to evade tax. What assessment period applies under §6501(c)(1)?

A. The standard 3-year period runs from the date the return was filed
B. There is no time limit; assessment may occur at any time
C. The extended 6-year period, the same one used for large omissions
D. A 10-year period, mirroring the statute governing collection actions

65. Nadia Farouk participated in a listed transaction but did not disclose it as required and never later disclosed it to the IRS. Under §6501(c)(10), how does this affect the assessment statute of limitations for items attributable to that transaction?

A. The limitations period is unaffected, expiring the normal 3 years after filing
B. The limitations period shortens to just 1 year after the transaction closes
C. The limitations period simply extends to exactly 6 years from the filing date
D. The period stays open until 1 year after disclosure or IRS notification, whichever is earlier

66. Colin Baptiste substantially prevailed in a Tax Court dispute with the IRS, the IRS's position was not substantially justified, and he met the applicable net worth limits. Under §7430, what may he potentially recover?

A. Only a refund of the disputed tax itself, with no added costs
B. Punitive damages equal to double the amount of tax originally disputed
C. Reasonable litigation and administrative costs incurred in pursuing the matter
D. A statutory penalty from the IRS equal to 20% of the disputed tax

67. Renata Osei's bank account was levied by an IRS employee who disregarded clear Code provisions during collection, causing her actual economic harm. What civil remedy does §7433 provide?

A. A civil damages action against the United States for the reckless disregard

B. A criminal referral filed personally against the individual revenue officer involved
C. Automatic abatement of the underlying tax liability that the levy collected
D. A mandatory award of triple damages, regardless of the actual harm shown

68. Nikolai Sorensen discovered that his former business partner willfully filed a fraudulent Form 1099 reporting income Nikolai never received. What civil remedy does §7434 authorize?

A. A refund claim filed with the IRS for the resulting overpayment
B. A civil damages action against the person who filed the fraudulent form
C. A whistleblower award paid from tax later collected from the filer
D. An automatic §6721 penalty on the filer, with no separate lawsuit allowed

69. Simone Vachon, an IRS employee, disclosed a taxpayer's confidential return information to an unauthorized third party outside any statutory exception. What remedy does §7431 give the affected taxpayer?

A. A civil damages action against the United States for the unauthorized disclosure
B. A right to compel immediate criminal prosecution of the employee involved
C. An automatic extension of the taxpayer's own assessment limitations period
D. A mandatory abatement of penalties assessed against the taxpayer that year

70. Julian Okafor filed a timely, complete individual return, but the IRS did not notify him of a specific additional liability until more than 36 months after the return was filed. Under §6404(g), what happens to interest and applicable penalties for the period after the deadline?

A. Nothing changes; interest and penalties continue accruing without any interruption
B. The entire underlying liability is permanently forgiven because of the delay
C. Only the failure-to-pay penalty is suspended, while interest keeps accruing
D. Interest and applicable penalties are suspended until proper notice is finally given

71. Bridget McAllister, a material advisor, failed to timely provide the IRS with the required information return identifying a reportable transaction she organized for clients. Under §6707, what penalty applies to her as the material advisor?

A. No penalty applies to advisors; only participating taxpayers face exposure
B. A flat $1,000 penalty applies, regardless of the transaction's size
C. A penalty generally equal to 50% of advisory fees, or 75% for listed transactions
D. A penalty equal to 20% of the understatement generated by her clients

72. Felix Tanaka, a material advisor, was required to maintain a list of investors in a reportable transaction and furnish it to the IRS upon request, but he failed to do so within 20 business days of the request. Under §6708, what penalty applies?

A. No monetary penalty applies; only injunctive relief may be sought
B. $10,000 for each day the failure continues past the 20-day window
C. A one-time flat penalty of $50,000, regardless of how long it continues
D. 30% of the fees the advisor earned from organizing the transaction

73. Larkspur Whitcombe, a paid preparer, used a client's tax return information to market an unrelated financial product without the client's consent, outside any permitted exception. Under §6713, what civil penalty applies to her per improper use or disclosure?

A. $10,000 per occurrence, subject to an annual cap of $100,000
B. $250 per improper use or disclosure, subject to an annual cap
C. 50% of the fee she charged for preparing that particular return
D. No civil penalty applies; only the §7216 criminal penalty is available

74. Omar Reyes, a paid preparer, knowingly disclosed a client's return information to a third party for a purpose not permitted by the regulations, without the client's consent. Under §7216, what is the potential consequence?

A. A criminal misdemeanor conviction, carrying fines and possible imprisonment

B. A purely civil dispute, resolved only through IRS mediation sessions
C. Automatic revocation of his preparer license by the relevant state bar
D. A mandatory referral to the Treasury Inspector General with no criminal exposure

75. Corwin Delacroix, an enrolled agent, signed a client return she knew contained an unreasonable position without adequate disclosure. The IRS is considering both an OPR disciplinary action and a monetary penalty. Can both proceed against her for the same conduct?

A. No; Circular 230 sanctions and Code penalties are mutually exclusive remedies
B. No; only the statutory Code penalty may proceed once OPR is notified
C. No; pursuing both would violate constitutional double jeopardy protections
D. Yes; both a Circular 230 sanction and a statutory penalty may apply

76. Rosalind Chu's firm intentionally disregarded its obligation to file correct Forms 1099 for hundreds of payees, rather than simply making an inadvertent error. How does this affect the penalty structure under §6721?

A. The penalty amount stays the same; only the assessment procedure differs
B. The firm instead becomes subject only to the §6700 promoter penalty
C. The per-return rate rises and the usual annual dollar cap no longer applies
D. The firm becomes automatically eligible for first-time abatement of the penalty

77. Bennett Faulkner's wife, Cassandra, controlled all household finances and subjected him to documented financial abuse and threats, preventing him from reviewing their joint return before he signed it, which understated income from her hidden business. In evaluating whether Bennett 'had reason to know' of the understatement for innocent spouse purposes, how does documented abuse factor in?

A. Documented abuse is irrelevant; the standard applied is a purely objective one
B. Documented abuse automatically disqualifies him from any form of relief sought
C. Documented abuse matters only for §6015(c) elections, never for §6015(b) relief
D. Documented abuse is a relevant factor supporting a finding he lacked reason to know

78. Yvonne Marchetti is due a federal income tax refund, but she also owes a past-due state income tax obligation and a defaulted federal student loan. Through what mechanism can her refund be applied to these other debts?

A. Only the state debt may be offset; federal agency debts are excluded

B. Only the Form 8379 injured spouse allocation rules govern this situation

C. The Treasury Offset Program, which intercepts refunds for qualifying other debts

D. No offset is possible outside her own outstanding IRS account balance

79. A federal tax lien had been filed against Wallace Iverson before he sold his personal vehicle to Tessa Okonkwo, a buyer who purchased it without knowledge of the lien. Under §6323(b), how is Tessa's interest in the motor vehicle treated relative to the filed lien?

A. The lien still attaches to the vehicle regardless of Tessa's lack of notice

B. Tessa's interest is protected because she purchased without actual notice of the lien

C. The lien attaches only if Tessa paid less than fair market value

D. Tessa must separately register the vehicle with the IRS for protection

80. Griffin Sato has an outstanding federal tax liability and receives monthly Social Security retirement benefits. Under §6331(h), how does the IRS's continuous levy authority typically apply to those payments?

A. The IRS may continuously levy up to 15% of each monthly payment

B. The IRS may levy the entire monthly benefit in one single sweep

C. Social Security benefits are completely exempt from any IRS levy action

D. The levy applies only once, capturing a single month's benefit payment

81. Miriam Beaulieu is subject to a continuous 15% federal payment levy on her Social Security benefits under §6331(h). What must the IRS ensure remains available to her despite the ongoing levy?

A. Nothing; the full 15% is deducted with no minimum amount protected

B. A complete levy exemption applies, but only for the first six months

C. A guaranteed lump-sum refund is issued at the end of collection
D. An amount needed for basic living expenses, under the statutory exempt formula

82. The IRS asserts both an accuracy-related penalty under §6662 and a civil fraud penalty under §6663 against the same return filed by Aaron Kessler, covering different portions of the underpayment. What burden of proof applies to each penalty?

A. Accuracy-related requires only a preponderance, while fraud requires clear and convincing evidence
B. Both penalties require the identical clear and convincing evidence standard throughout
C. Both penalties require only the lower preponderance of the evidence standard
D. Accuracy-related requires clear and convincing evidence, while fraud requires only a preponderance

83. During a representation, Camille Dupont's enrolled agent discovers strong evidence that her client willfully concealed income through a shell arrangement, suggesting possible criminal exposure. What should the practitioner do regarding advising the client?

A. Say nothing about criminal exposure, since only attorneys may raise it
B. Advise the client of the fraud-referral risk and its representation implications
C. Immediately file an anonymous whistleblower claim against the client involved
D. Continue representation unchanged, since Circular 230 bars raising the issue

84. Harold Preston asks his enrolled agent why the IRS abated his failure-to-pay penalty for reasonable cause but declined to abate the interest that accrued on the same balance. What general rule explains this distinction?

A. Both interest and penalties are abated under the identical reasonable cause standard
B. Neither interest nor penalties may ever be abated once formally assessed
C. Penalties allow reasonable cause abatement, while interest abates only in narrow statutory situations
D. Interest may be abated for reasonable cause, while penalties never may be

85. Marcus Feldman is preparing to file his Form 1040 for the 2026 tax year. Under §6072(a), what is the general due date for an individual income tax return, and how is that date adjusted if it falls on a Saturday, Sunday, or legal holiday?

A. The return is due March 15, with no adjustment for weekends or holidays.
B. The return is due April 15, moving to the next business day if that date falls on a weekend or holiday.
C. The return is due April 30, moving to the prior business day if that date falls on a weekend or holiday.
D. The return is due May 15, with no adjustment for weekends or holidays.

86. Priya Anand's business operates on a fiscal year ending June 30. Under the general due date rules, when is the entity's income tax return due, absent any extension?

A. The 15th day of the 3rd month after the fiscal year ends.
B. The last day of the 4th month after the fiscal year ends.
C. The 15th day of the 4th month after the fiscal year ends.
D. The 15th day of the 6th month after the fiscal year ends.

87. Marguerite Solano's calendar-year S corporation needs additional time to file its Form 1120-S. Which form should the corporation file, and to what date does it extend the original March 15 deadline?

A. Form 7004, extending the deadline to September 15.
B. Form 4868, extending the deadline to October 15.
C. Form 7004, extending the deadline to August 15.
D. Form 8809, extending the deadline to November 15.

88. A client asks Renata Cole, a paid preparer, about the IRS Free File program. Which statement correctly describes the program and Renata's disclosure obligation when discussing it?

A. Free File is available to every taxpayer, and preparers have no duty to mention it.
B. Free File applies only to taxpayers over 65, and preparers must recommend it exclusively.
C. Free File requires paid enrollment, and preparers must disclose any referral fee received.

D. Free File offers free software below an income threshold, and preparers should disclose it when relevant.

89. Under §6107(a), what must a paid preparer provide to the taxpayer, distinct from the internal list of returns the preparer must retain under §6107(b)?

A. A summary of estimated tax liability for the following year.
B. A completed copy of the return or claim for refund furnished to the taxpayer.
C. A signed engagement letter outlining the scope of representation.
D. A written explanation of the preparer's fee structure and billing rates.

90. Which foundational requirement applies to every compensated tax return preparer, regardless of the type of return prepared?

A. The preparer must hold an active state CPA license before preparing any return.
B. The preparer must complete 72 hours of continuing education annually.
C. The preparer must sign the return and include a valid PTIN on it.
D. The preparer must maintain a surety bond covering all clients served.

91. Beyond the rule requiring individual preparers filing more than 10 returns to e-file, current IRS regulations also impose an e-file mandate on certain filers based on volume of information returns. Which entities are affected by this expanded mandate?

A. Certain partnerships and corporations that file at least 10 returns of any type.
B. Only partnerships that report more than 500 partners on Schedule K-1.
C. Only corporations reporting gross receipts above 50 million dollars yearly.
D. Only sole proprietors filing Schedule C above one million dollars in revenue.

92. Under current IRS guidance, which statement accurately describes the use of electronic or digital signatures on paper-filed forms?

A. Electronic signatures are prohibited on any form submitted to the IRS in paper form.
B. The IRS accepts electronic or digital signatures on a specified list of paper-filed forms.
C. Electronic signatures are permitted only on forms filed by attorneys admitted to Tax Court.
D. Electronic signatures require a separate IRS-issued digital certificate for every taxpayer.

93. Gerald Owusu recently moved to a new home. Which form should he file to formally notify the IRS of his change of address?

A. Form 8888, filed with his next return.
B. Form 8821, submitted to his prior tax matters partner.
C. Form 2848, filed with the local Taxpayer Advocate office.
D. Form 8822, filed to notify the IRS of the address change.

94. Ingrid Solberg's LLC recently changed its business address and appointed a new responsible party. Within what time frame must the LLC file Form 8822-B, and what does it report?

A. Within 60 days, reporting the business address change and new responsible party.
B. Within 30 days, reporting only the change in business address.
C. Within 90 days, reporting only the appointment of a new responsible party.
D. Within 120 days, reporting changes to the entity's accounting method.

95. Camille Beauregard files a return claiming the Earned Income Tax Credit. Under the PATH Act, what happens to the refund associated with this claim?

A. The refund is released immediately upon acceptance of the e-filed return.
B. The refund is denied automatically pending a full audit of the claim.
C. The refund is split into two payments issued 30 days apart.
D. The refund is held by the IRS until mid-February at the earliest.

96. The IRS flags Tobias Kwan's e-filed return for potential identity theft and sends him a notice requesting that he verify his identity before the return is processed. Which notice is this?

A. CP2000, proposing changes to reported income.
B. Letter 4883C, requiring an in-person office visit only.
C. Letter 5071C, requesting identity verification online or by phone.
D. Letter 1058, notifying of intent to levy.

97. Yusuf Barakat's tax preparation firm relocates and changes its designated responsible official. What is the firm's obligation regarding its e-Services account?

A. The firm must promptly update its e-Services account information to reflect the changes.
B. The firm must close its e-Services account and reapply for a new EFIN.
C. The firm has no obligation to update e-Services unless audited.
D. The firm must notify only the state board of accountancy of the change.

98. Heather Nakamura mails her paper return on April 15 via regular U.S. mail, but the IRS does not receive it until April 22. Under §7502, is the return considered timely filed?

A. No, because actual receipt date always controls regardless of mailing date.
B. No, because paper returns cannot rely on the mailbox rule.
C. Yes, but only if the taxpayer also files electronically as backup.
D. Yes, because the postmark date is treated as the filing date.

99. Rafael Dominguez ships his return using a designated private delivery service two days before the deadline. Which rule governs whether this shipment is treated as timely filed?

A. No timely-filing rule applies to private delivery services under any circumstance.
B. The return is timely only if delivered to the IRS by 5 p.m. that day.
C. The designated PDS date recorded functions as the equivalent of a postmark.
D. Only USPS Priority Mail Express qualifies for any timely-filing treatment.

100. After transmitting Sylvie Marchetti's e-filed return, what recordkeeping obligation does the ERO have regarding the IRS's response to the transmission?

A. The ERO need only retain the taxpayer's signed engagement letter.

B. The ERO must retain the acknowledgment record confirming IRS acceptance.

C. The ERO must retain only a copy of the paper return.

D. The ERO has no recordkeeping obligation once the return is transmitted.

Answer Key and Explanations — Practice Exam 31, Part 3: Representation, Practices, and Procedures

1. C — Circular 230 §10.2(a)(4) defines 'Internal Revenue Service' broadly, covering all offices, divisions, and bureaus of the Service, not just examination or collection units. Practitioner conduct before the Independent Office of Appeals, the Taxpayer Advocate Service, or any other component remains fully subject to Circular 230's standards. Thaddeus is incorrect; the coverage is comprehensive, not limited to specific functions.

2. B — Circular 230 requires practitioners to maintain accurate contact information so the Service can communicate about matters where they hold power of attorney. An outdated CAF address risks missed deadlines, undelivered notices, and harm to the client's case. Wilhelmina must promptly update her CAF record whenever her address changes, not merely upon IRS request.

3. D — A PTIN is issued to and personally identifies one individual preparer; it functions as a unique credential and cannot be lent, shared, or transferred to another person, even temporarily or within the same firm. Allowing the assistant to sign returns under Trevor's PTIN misrepresents who actually prepared them and violates PTIN regulations.

4. A — Holding a PTIN merely permits a person to prepare returns for compensation; it does not confer enrollment or representation rights before the IRS. 'Enrolled to practice' is a distinct status earned through the Special Enrollment Examination or qualifying IRS experience. Without enrollment, Guinevere remains a registered, unenrolled preparer with no practice privileges under Circular 230.

5. C — Once a practitioner appears before the IRS, Circular 230's standards of conduct apply regardless of the professional credential invoked. Colin cannot avoid or select among ethical obligations by choosing to identify as a CPA instead of an enrolled agent; both credentials authorize practice before the IRS, and both are subject to the same Circular 230 rules.

6. B — Circular 230 does not obligate a practitioner to accept every prospective client. Practitioners retain discretion to decline engagements for legitimate business reasons, such as caseload, scheduling, or simply not wishing to take a matter, so long as the decision is not based on unlawful discrimination. Renee may lawfully turn down this engagement.

7. A — Firms employing non-credentialed support staff must provide reasonable training and supervision so that work performed under a practitioner's direction meets professional standards, even though these staff members do not sign returns or represent clients themselves. This oversight duty is distinct from broader firm-wide compliance procedures and protects clients from unqualified, unsupervised work.

8. D — Enrollment is not a permanent status; it must be actively maintained through timely renewal and CE compliance. Once enrollment lapses without a transition to inactive or retirement status, the individual loses authority to practice before the IRS, including representing clients or submitting powers of attorney. Wanda's continued representation is improper until she restores current enrollment.

9. C — IRS-approved continuing education providers are required to report completed course hours directly to the IRS PTIN system, rather than leaving verification to the practitioner's self-reporting alone. Horizon Tax Academy's direct reporting obligation ensures Felix's completed hours are reflected in IRS records, supporting accurate enrollment renewal and reducing reliance on unverified practitioner claims.

10. D — 'Practice before the Internal Revenue Service' under Circular 230 covers administrative matters and does not extend to litigation in U.S. District Court or the U.S. Court of Federal Claims. Representing a client in those judicial forums requires admission to the bar and appearance as an attorney. Sandra's enrolled agent status alone does not authorize this representation.

11. B — Admission to practice before the U.S. Tax Court is separate from IRS enrollment. Non-attorneys, including enrolled agents, must apply for Tax Court admission and pass the Tax Court's own written examination for non-attorneys before they may represent taxpayers in that court. Enrolled agent status alone permits only administrative representation before the IRS, not Tax Court litigation.

12. A — Enrollment as an enrolled agent is a federal credential granted by the IRS and is recognized nationwide, unlike state-issued licenses such as CPA licensure. Louise may represent clients before the IRS in any state without obtaining additional state authorization, since her authority to practice derives entirely from federal enrollment rather than any state licensing board.

13. A — Circular 230 prohibits practitioners from using a firm name that is misleading, including one implying the presence of attorneys, CPAs, or other credentials the firm's personnel do not actually hold. Because no attorney or CPA works at Oscar's firm, naming it 'Ridgeline Certified Tax Attorneys' would deceive prospective clients about the qualifications of its staff.

14. D — Circular 230 obligates a practitioner to promptly submit information requested by the IRS regarding the practitioner's own conduct, unless a reasonable belief exists that the information is privileged. Waiting for a formal proceeding to begin does not excuse the duty to respond directly and timely. Petra must answer the Office of Professional Responsibility's inquiry without delay.

15. B — Disbarment and suspension bar an individual from representing others before the IRS, but they do not eliminate a person's separate, absolute right to appear on their own behalf regarding their own tax matters. Curtis may personally respond to the notice of deficiency and handle his individual return without needing enrollment, representation authority, or prior IRS approval.

16. C — A personal bankruptcy filing, standing alone, does not constitute disreputable conduct under Circular 230 and does not automatically affect a practitioner's enrollment status. Absent separate misconduct such as dishonesty, misappropriation of client funds, or a disqualifying criminal conviction connected to the filing, Yvonne remains fully authorized to continue practicing before the IRS.

17. C — Circular 230 §10.20 requires a practitioner to promptly submit records or information properly requested by a duly authorized IRS officer or employee, unless the practitioner has a good-faith, reasonable belief the material is privileged. Absent an actual privilege basis, delay or refusal violates §10.20 and can expose Deleon to disciplinary sanctions for noncompliance.

18. A — A practitioner asserting privilege may not simply refuse to respond. Circular 230 expects the practitioner to notify the requesting IRS officer promptly, identify the specific privilege claimed, and describe the withheld material, allowing the claim to be evaluated. Silence or outright refusal without explanation does not satisfy the good-faith privilege exception under §10.20.

19. B — Section 10.7(b) permits an individual to represent themselves before the IRS in their own tax matters without being enrolled or otherwise recognized as a practitioner. This limited practice exception is distinct from §10.7(a), which separately allows unenrolled representation of an immediate family member; self-representation requires no examination, credential, or prior approval.

20. D — Circular 230 §10.7(a) allows an individual to represent members of their immediate family, including a spouse, parent, or child, before the IRS without being enrolled or credentialed. This exception is narrower than general practice rights and does not extend to more distant relatives, friends, or unrelated taxpayers, who require an authorized practitioner.

21. D — Eligibility to practice as an attorney or CPA under Circular 230 depends on being "currently qualified," meaning the underlying state license is active and in good standing. When a license lapses or is suspended, eligibility to practice before the IRS is automatically lost, regardless of whether OPR has initiated any separate disciplinary action.

22. C — OPR investigative files are generally treated as confidential while an investigation is pending, protecting both the integrity of the inquiry and the practitioner from premature reputational harm before any findings or charges are established. Confidentiality typically continues unless and until a matter proceeds to a public disciplinary proceeding or published decision.

23. A — Section 10.32 makes clear that a practitioner subject to other statutory or regulatory penalties, such as a Title 26 preparer penalty, may still separately face Circular 230 disciplinary sanctions for the same underlying conduct. The two penalty schemes are not mutually exclusive, and one does not preclude or limit the other.

24. B — Circular 230 does not legally mandate that outside observers formally report suspected violations. However, any person with knowledge of an apparent violation, including non-clients like Holloway, is encouraged as a matter of best practice to submit a written report identifying the practitioner and describing the relevant facts to OPR for possible review.

25. A — A practitioner who fails to timely renew enrollment is placed on the official roster of individuals not currently eligible to practice before the IRS until the matter is resolved. This status is administrative rather than disciplinary; eligibility resumes once outstanding renewal requirements, including continuing education hours and the applicable fee, are satisfied.

26. B — A formal OPR complaint must include a plain and concise statement of the specific factual and legal basis supporting each charge, giving the practitioner adequate notice to prepare a meaningful defense. It is not required to include settlement offer terms, prior case transcripts, or any third-party recommendation letters from outside officials.

27. D — A practitioner subject to an OPR disciplinary proceeding has the right to be represented by counsel or another qualified practitioner of their choosing. This right applies throughout the entire proceeding, including the hearing itself, and is not limited to settlement discussions, ensuring the respondent receives adequate assistance in presenting a defense.

28. C — The administrative law judge presiding over a Circular 230 disciplinary hearing has broad authority to rule on the admissibility of proposed evidence and to manage the scope of discovery between the parties. These procedural powers help ensure an orderly and fair hearing and do not require joint consent or outside approval.

29. B — A position is frivolous under Circular 230's advice standards when it has no reasonable basis in law and is not advanced in good faith, unlike a merely aggressive but arguable position that rests on some colorable legal support. Frivolous positions can expose the preparer to sanctions distinct from ordinary advice violations.

30. C — A single, isolated instance of ordinary carelessness, without recklessness, deliberate intent, or a recurring pattern, generally does not by itself rise to a sanctionable Circular 230 violation. Something more substantial, such as a pattern of similar conduct or a reckless disregard for accuracy, is typically needed before formal discipline is warranted.

31. A — Signing Form 2848 requires the practitioner to declare, under penalties of perjury, that they are duly authorized to represent the taxpayer and to accurately identify their correct eligibility category, such as attorney, CPA, or enrolled agent. Misstating this designation is a false declaration and directly violates Circular 230's integrity standards.

32. D — The Right to Challenge the IRS's Position and Be Heard entitles taxpayers to raise objections and provide additional documentation in response to formal IRS actions, and to expect the IRS to consider timely, relevant objections promptly and fairly, providing a response if it does not agree with the taxpayer's position.

33. A — The Right to Pay No More Than the Correct Amount of Tax means taxpayers are legally obligated to pay only the tax actually owed, including interest and penalties properly assessed, and to have IRS payments applied correctly, protecting against overpayment caused by computational errors or amounts exceeding what the law actually requires.

34. D — The Right to Quality Service entitles taxpayers to prompt, courteous, and professional assistance in every dealing with the IRS, to be spoken to in a manner they can readily understand, to receive clear and understandable communications, and to speak with a supervisor about inadequate service whenever that becomes genuinely necessary.

35. C — The Right to a Fair and Just Tax System requires the IRS to consider facts and circumstances that might affect a taxpayer's underlying liabilities, ability to pay, or ability to provide information timely, and provides access to assistance such as the Taxpayer Advocate Service, so outcomes are not dictated by rigid procedural technicalities alone.

36. B — A statutory notice of deficiency is valid if mailed to the taxpayer's last-known address, generally the address on the most recently filed return, even if the taxpayer never actually receives it. This is why keeping the IRS informed of address changes, such as via Form 8822, is critical to preserve Tax Court petition rights.

37. D — When a taxpayer disagrees with a revenue agent's proposed adjustments, the representative may request a conference with the examination group manager to discuss the disputed issues before the case is closed. This intermediate step allows for possible resolution at the examination level, potentially avoiding the additional time an Appeals request would require.

38. A — Form 2848 must be signed by the taxpayer personally, or by another individual who holds documented legal authority to sign on the taxpayer's behalf, such as a court-appointed guardian or holder of a durable power of attorney. A representative signing the taxpayer's name without such authority renders the form invalid.

39. B — Under AJAC practices, Appeals functions as an independent, quasi-judicial body and generally does not conduct the initial fact-finding an examiner performs. When new evidence is raised for the first time at Appeals, the case is typically sent back to Examination for review, preserving Appeals' role as an independent reviewer, not a fact-finder.

40. C — The IRS's Submit Forms 2848 and 8821 Online tool allows representatives to upload authorization forms and have clients apply a remote electronic signature through Secure Access authentication, submitting directly to the CAF unit. This provides a faster alternative to mailing or faxing paper forms, reducing delays and transcription errors substantially.

41. B — A taxpayer facing geographic hardship, such as an examination scheduled far from their residence, may request that the case be transferred to an IRS office nearer their location. The IRS generally accommodates reasonable transfer requests to reduce travel burden, particularly when a legitimate hardship is documented and clearly explained in the written request.

42. A — The declaration of representative on Form 2848 requires the practitioner to designate their actual authorization category, such as enrolled agent or attorney, and to sign under penalties of perjury. Misrepresenting one's designation is a serious violation that can result in disciplinary action and disqualification from practice before the IRS altogether.

43. C — A fiduciary who has established fiduciary authority may sign Form 2848 on the estate's behalf, naming a representative such as an enrolled agent to appear at the examination. This is distinct from Form 56, which establishes the fiduciary relationship itself rather than authorizing representation before the IRS on tax matters.

44. D — The IRS may bring in technical specialists or subject-matter experts, such as international examiners or engineers, to assist a revenue agent with complex issues beyond general examination expertise. These specialists support the assigned agent's analysis but do not replace the agent's overall responsibility for managing and properly closing the examination.

45. D — Appeals generally accommodates telephone or virtual video conferences as an alternative to in-person meetings, recognizing that many taxpayers and representatives are not located near an Appeals office. This flexibility supports timely case resolution without requiring travel, while fully preserving the taxpayer's right to a meaningful conference regardless of distance involved.

46. B — Before closing a case as unagreed, the taxpayer or representative must generally be given a reasonable opportunity to review the Revenue Agent Report and respond, including presenting additional information or disputing proposed adjustments. This safeguard reflects the taxpayer's right to be heard before the case proceeds toward Appeals or deficiency procedures.

47. C — Filing a bankruptcy petition triggers the automatic stay under 11 U.S.C. §362, which immediately halts most IRS collection activity, including levies, liens, and lawsuits, unless the IRS obtains relief from the bankruptcy court. This gives the taxpayer breathing room while the estate is administered and creditor priorities are sorted out.

48. A — Income tax debt is dischargeable in Chapter 7 only if it satisfies the '3-2-240' rule: the return was due, including extensions, more than three years before filing; the return was actually filed more than two years before filing; and the tax was assessed more than 240 days before the bankruptcy petition. All three conditions must be met.

49. B — Form 656 generally requires a nonrefundable application fee plus an initial payment tied to the chosen payment option (lump sum or periodic). However, taxpayers who meet the IRS Low Income Certification guidelines, based on household size and income, are exempt from both the application fee and the initial payment requirement entirely.

50. C — Under §7122(f), an offer in compromise is deemed accepted by the IRS whenever the offer has not been rejected, returned, or withdrawn within 24 months from the date the IRS officially received it. Because more than 24 months passed without any IRS action here, Carlos's offer is automatically deemed accepted by operation of law.

51. D — A withdrawal removes the public NFTL notice as though never filed, available under Fresh Start for direct debit installment agreements, but only when the lien was filed after the DDIA began, the balance is $25,000 or less, and the agreement pays the debt in full within the remaining collection period; liens predating the agreement do not qualify for this relief.

52. A — After receiving Letter 1153 proposing a Trust Fund Recovery Penalty, a responsible person may avoid immediate assessment by submitting a timely written protest requesting an Appeals conference. This administrative appeal allows the taxpayer to contest liability before assessment occurs, rather than waiting until after assessment to pursue post-assessment remedies like a CDP hearing or refund suit.

53. B — A taxpayer who receives Letter 1153 proposing a Trust Fund Recovery Penalty generally has 60 days from the date of the letter (75 days if the letter is addressed to a location outside the United States) to file a written protest with the Independent Office of Appeals contesting the proposed assessment.

54. A — Although both terms describe IRS enforced collection, 'levy' generally refers to reaching intangible property or rights to property, such as wages, bank accounts, and accounts receivable, while 'seizure' refers to taking physical possession of tangible property, such as vehicles, equipment, or real estate. The distinction affects the procedures IRS employees must follow.

55. D — Under §6332(c), a bank served with a levy must hold the funds in the account, without surrendering them, for 21 calendar days after receipt of the levy notice. This holding period gives the taxpayer an opportunity to resolve the liability or claim an exemption before the bank must remit the funds to the IRS.

56. C — A levy on wages, salary, and other periodic income is continuous, attaching to future payments until the IRS releases it. A levy on a bank account, by contrast, is a one-time attachment reaching only the funds on deposit at the moment the levy is received, requiring a new levy to reach later deposits.

57. B — Under §6343(d), a third party whose property was wrongfully levied to satisfy another person's tax debt may request the IRS return the specific property or its value. This administrative remedy exists precisely for situations like Trevor's, where the levy attached to property that never belonged to the actual delinquent taxpayer.

58. C — Under §6901, the IRS may pursue collection from a transferee who received a delinquent taxpayer's assets without adequate consideration in return, such as an outright gift. Because Angela received the property for nothing of value, transferee liability allows the IRS to reach that property's value to satisfy her father's unpaid tax debt.

59. A — When a delinquent taxpayer places title to property in another person's name but retains control, benefits, and the burdens of ownership, the IRS may treat that person as a nominee or alter ego. A nominee lien or levy allows the IRS to reach the property directly because it still substantively belongs to the taxpayer.

60. D — Once properly filed, a Notice of Federal Tax Lien generally gives the IRS priority over most subsequent creditors under the 'first in time, first in right' principle. However, §6323 carves out superpriorities for certain purchasers, such as purchasers of securities or motor vehicles, who acquired their interest without actual notice of the lien's existence.

61. A — Under §6651(f), when the IRS proves by clear and convincing evidence that a failure to file was fraudulent, the ordinary 5%-per-month/25%-cap penalty under §6651(a)(1) is replaced with an enhanced 15%-per-month rate, capped at 75% of the unpaid tax. This mirrors the enhanced fraud rate structure, deterring taxpayers who deliberately conceal filing obligations to evade taxation.

62. D — Section 6662A imposes an accuracy-related penalty on reportable transaction understatements. The rate is 20% if the transaction was adequately disclosed under §6011 rules, but rises to 30% if it was not disclosed. This heightened rate encourages transparency about listed and other reportable transactions, giving the IRS visibility into potentially abusive arrangements before audit.

63. C — Section 6707A imposes a flat dollar penalty for failing to disclose a reportable transaction on a return, separate from any accuracy-related penalty and regardless of whether the transaction actually produced an understatement. The penalty exists to compel disclosure itself, since undisclosed reportable transactions hinder IRS identification of abusive tax-avoidance schemes before they proliferate.

64. B — Under §6501(c)(1), when a taxpayer files a false or fraudulent return with intent to evade tax, the normal assessment limitations period does not apply, and the tax may be assessed at any time. This unlimited period reflects Congress's judgment that fraud should never be shielded by the passage of time.

65. D — Section 6501(c)(10) keeps the assessment period open for any item attributable to an undisclosed listed transaction until one year after the earlier of the date the taxpayer discloses it to the IRS or the date the IRS is otherwise notified of it, effectively suspending the ordinary statute of limitations indefinitely until disclosure finally occurs.

66. C — Section 7430 allows a taxpayer who substantially prevails on the amount in controversy or the most significant issue, meets net worth limits, and exhausted administrative remedies, to recover reasonable litigation and administrative costs, provided the IRS's position was not substantially justified. This encourages the IRS to take reasonable positions in disputes.

67. A — Section 7433 permits a taxpayer to bring a civil action against the United States for actual, direct economic damages sustained when an IRS officer or employee recklessly, intentionally, or negligently disregards the Internal Revenue Code or regulations in connection with collection activities, subject to administrative exhaustion and a two-year limitations period.

68. B — Section 7434 allows any person injured by another's willful filing of a fraudulent information return purporting to reflect payments made to them to bring a civil damages action against the filer, recovering the greater of $5,000 or actual damages sustained, plus court costs and, at the court's discretion, reasonable attorney's fees.

69. A — Section 7431 authorizes a taxpayer to sue the United States for civil damages when an officer or employee knowingly or negligently discloses that taxpayer's return or return information in violation of §6103's confidentiality rules, absent a statutory exception, allowing recovery of actual or statutory damages plus litigation costs and possible attorney's fees.

70. D — Section 6404(g) suspends interest and certain penalties on an individual taxpayer's timely filed return when the IRS fails to specifically notify the taxpayer of a liability and its basis within the statutory notification window. The suspension runs from the deadline until the IRS issues proper notice, protecting compliant taxpayers from open-ended accrual caused by IRS delay.

71. C — Section 6707 penalizes a material advisor who fails to timely file the required return disclosing a reportable transaction with the IRS. The penalty generally equals 50% of the gross income the advisor derived from the transaction, increased to 75% for listed transactions, reflecting the greater risk those transactions pose to tax administration.

72. B — Section 6708 penalizes a material advisor who fails to make an investor list available to the IRS within 20 business days of a written request. The penalty is $10,000 per day for each day the failure continues after that period, absent reasonable cause, encouraging prompt cooperation with IRS reportable-transaction inquiries.

73. B — Section 6713 imposes a civil penalty of $250 for each unauthorized use or disclosure of tax return information by a preparer, capped at $10,000 per calendar year, unless the disclosure also violates §7216 criminally. It applies even absent criminal intent, giving the IRS a civil enforcement tool for preparer confidentiality violations.

74. A — Section 7216 makes it a criminal misdemeanor for a preparer to knowingly or recklessly disclose or use tax return information for purposes not authorized by the regulations, punishable by a fine up to $1,000, imprisonment up to one year, or both, for each violation, reflecting the seriousness of preparer confidentiality breaches.

75. D — Circular 230 disciplinary proceedings and Code-based monetary penalties, such as §6694 preparer penalties, are separate, non-exclusive remedies. OPR may sanction the preparer's eligibility to practice before the IRS while the IRS separately assesses a statutory penalty for the same underlying conduct, since double jeopardy protections apply only to criminal prosecutions, not these civil remedies.

76. C — Under §6721, intentional disregard of the filing requirement increases the per-return penalty amount and removes the annual maximum dollar cap that otherwise limits total exposure for inadvertent errors. This intentional-disregard exception ensures that willful, large-scale noncompliance is not effectively subsidized by a cap designed to protect good-faith filers making occasional mistakes.

77. D — Under §6015(b) and related equitable relief guidance, documented spousal abuse or financial control is a recognized factor that can support a finding a requesting spouse did not know or have reason to know of an understatement, even where the return was signed, because abuse can prevent meaningful review of the household's finances and reporting.

78. C — The Treasury Offset Program allows the Bureau of the Fiscal Service to intercept a taxpayer's federal refund to satisfy certain past-due debts owed to other federal agencies, such as defaulted student loans, as well as certain state income tax obligations and other qualifying state debts, before the remaining refund, if any, is released to the taxpayer.

79. B — Section 6323(b) grants superpriority to certain purchasers, including buyers of motor vehicles and securities, who acquire their interest without actual notice or knowledge of a filed tax lien, even though the lien was filed first. This protects commerce in items that change hands without title searches disclosing federal tax liens.

80. A — Section 6331(h) authorizes a continuous levy of up to 15% on certain specified federal payments, including Social Security benefits, that remains in effect until the underlying liability is satisfied or released, without the IRS needing to issue a new levy notice for each successive payment cycle, streamlining collection from recurring federal income streams.

81. D — Even under continuous levy authority, §6334 and related provisions require the IRS to leave an exempt amount necessary for reasonable basic living expenses, often calculated using a formula tied to filing status and pay period, so that a taxpayer subject to an ongoing 15% levy is not left entirely without funds for essential needs.

82. A — The §6662 accuracy-related penalty is sustained by a preponderance of the evidence, the ordinary civil standard, while the §6663 civil fraud penalty demands the IRS prove fraudulent intent by clear and convincing evidence, a meaningfully higher bar reflecting the more serious nature and stigma of a fraud determination against the taxpayer.

83. B — When evidence suggests willful concealment, a competent practitioner must advise the client of the risk that the matter could be referred to IRS Criminal Investigation and discuss how that risk affects the scope of continued representation, since failing to flag potential criminal exposure would fall short of the diligence and competence Circular 230 requires.

84. C — Penalties, such as those under §6651 or §6662, may generally be abated upon a showing of reasonable cause and good faith. Interest, by contrast, is compensation for the use of money and may be abated only in narrow statutory circumstances, such as unreasonable IRS error or delay under §6404(e), not for ordinary reasonable cause.

85. B — Under §6072(a), individual income tax returns are generally due on April 15 following the close of the calendar year. When April 15 falls on a Saturday, Sunday, or legal holiday (including Emancipation Day in Washington, D.C.), §7503 shifts the deadline to the next business day, giving taxpayers the full filing period.

86. C — A fiscal-year filer's income tax return is generally due on the 15th day of the 4th month following the close of its fiscal year. For a June 30 year-end, that due date falls on October 15. This mirrors the calendar-year rule of April 15, simply shifted to align with the entity's chosen accounting period.

87. A — Partnerships and S corporations use Form 7004 to request an automatic six-month extension of time to file. Their original due date is March 15 for calendar-year filers, so a timely Form 7004 pushes the filing deadline to September 15. The extension applies only to filing, not to any tax payment obligation.

88. D — The IRS Free File program provides free tax preparation software to taxpayers whose income falls below an annually adjusted threshold, through a partnership with commercial software providers. Paid preparers are not required to use Free File themselves, but ethical practice and full disclosure standards support informing eligible clients that a free filing option exists.

89. B — Section 6107(a) requires a paid preparer to furnish the taxpayer a completed copy of the return or claim for refund no later than the time it is presented for the taxpayer's signature. This client-facing copy requirement is separate from §6107(b), which obligates the preparer to retain an internal list or copy for three years.

90. C — Every compensated preparer who prepares or assists in preparing a return for compensation must sign it and enter a valid Preparer Tax Identification Number. This requirement applies uniformly regardless of the preparer's credential type or the return category, and failure to comply can trigger penalties under §6695 for an unsigned or improperly identified return.

91. A — Treasury regulations under §6011 lowered the aggregate information-return e-file threshold, requiring filers, including partnerships and corporations, that file at least 10 returns of any type during the calendar year to file electronically. This aggregation rule counts W-2s, 1099s, and other information returns together, sweeping many mid-size entities into mandatory e-filing that were previously exempt.

92. B — The IRS has issued guidance permitting electronic or digital signatures on a defined list of paper-filed forms, expanding flexibility beyond forms filed through e-file. This accommodation, extended and periodically updated since 2020, does not apply universally; preparers must verify whether a specific form appears on the current approved list before relying on it.

93. D — Form 8822, Change of Address, is used by individual taxpayers to formally notify the IRS of a new mailing address outside of simply entering it on a subsequently filed return. Filing this form promptly helps ensure notices, refunds, and other IRS correspondence reach the taxpayer at the correct current address without delay.

94. A — Form 8822-B, Change of Address or Responsible Party — Business, must be filed within 60 days of a business address change or a change in the identity of the entity's responsible party. Keeping this information current helps the IRS maintain accurate records and properly deliver correspondence, notices, and other official communications to the business.

95. D — The Protecting Americans from Tax Hikes Act requires the IRS to hold the entire refund, not just the credit portion, for any return claiming the Earned Income Tax Credit or Additional Child Tax Credit until mid-February. This mandatory hold gives the IRS additional time to verify income and prevent fraudulent refund claims tied to these credits.

96. C — Letter 5071C is sent when the IRS suspects identity theft on a filed return and needs the taxpayer to confirm they actually filed it. The taxpayer verifies identity through the IRS's online Identity Verification Service or by phone, after which legitimate processing of the return and any associated refund resumes.

97. A — Firms must keep their e-Services account information current, promptly updating details such as business address, phone number, and the designated responsible official whenever changes occur. Outdated account information can delay IRS communications, disrupt e-file privileges, and create compliance issues, since e-Services is the IRS's primary channel for firm-level electronic filing administration.

98. D — Under the §7502 mailbox rule, a paper return that is properly addressed, postmarked, and mailed on or before the due date is treated as timely filed even if the IRS receives it after the deadline. The postmark date, not the actual receipt date, controls timeliness for purposes of this rule.

99. C — The IRS designates certain private delivery services, such as FedEx and UPS, whose date-recorded marking functions the same as a USPS postmark under the §7502 mailbox rule. A return shipped through a designated PDS on or before the deadline is treated as timely filed, mirroring the treatment given to postmarked paper mail.

100. B — An ERO must retain the acknowledgment file the IRS generates in response to a transmitted return, confirming whether the submission was accepted or rejected. This record documents that a return was actually filed and accepted, protecting both the preparer and the taxpayer in the event a filing dispute or timeliness question later arises.