PRACTICE EXAM 32: 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 is a valid pathway to becoming an enrolled agent under Circular 230, aside from passing all three parts of the Special Enrollment Examination?

A. Completion of a state-approved forty-hour basic tax course
B. Qualifying IRS technical experience, applied for within three years
C. Five years of general bookkeeping work at any accounting firm
D. Sponsorship from two currently enrolled agents in good standing

2. During the enrollment renewal process, the IRS notifies Alina Brennerman, an enrolled agent, that her continuing education records will be verified before renewal is approved. Under §10.6, what must she do if selected for this review?

A. Retain and provide certificates of completion and other CE documentation from the prior cycle
B. Retake the Special Enrollment Examination to re-verify competency
C. Submit a written explanation only if fewer than seventy-two hours were completed
D. Pay a reinstatement fee before the review may proceed

3. For continuing education credit purposes under Circular 230, how is one CE credit hour measured for a qualifying program?

A. Thirty consecutive minutes of classroom-style instruction time
B. Forty-five minutes of instruction paired with a proctored quiz
C. Fifty minutes of continuous instruction or presentation time
D. Sixty minutes of instruction time including breaks and administration

4. Delphine Achterberg prepares a Form 1040 for a client but does not sign it as paid preparer for any other purpose. Under §10.8, does preparing the return by itself constitute 'practice before the IRS'?

A. Yes, preparation of any return automatically qualifies as practice requiring enrollment
B. No, only attorneys and CPAs may prepare returns without additional authority
C. Yes, but only if the resulting refund exceeds one thousand dollars
D. No, mere return preparation alone is not itself practice before the IRS

5. An organization wants to offer continuing education programs that enrolled agents can count toward their CE requirement. Under §10.9, what must the organization do?

A. Register annually with the state board of accountancy
B. Obtain accreditation from a regional academic university
C. Submit each program individually to OPR for pre-approval
D. Apply for and maintain status as an IRS-approved qualifying sponsor

6. An IRS revenue agent lawfully requests books and records directly from a taxpayer during an examination. Under §10.20(b), what is a practitioner prohibited from doing?

A. Advising the client of applicable privileges before records are produced
B. Requesting a reasonable extension of time to gather the records
C. Interfering, or attempting to interfere, with the agent's lawful record request
D. Accompanying the client to the meeting where records are produced

7. Enrolled agent Perpetua Nnamdi receives repeated IRS requests for a response on a pending client matter but sets the file aside for several months without any justification or client-authorized delay. Under §10.23, what duty has she violated?

A. The duty to act with reasonable promptness in all matters before the IRS
B. The duty to maintain client confidentiality regarding return information
C. The duty to personally sign every return she prepares for a client
D. The duty to complete continuing education hours before each renewal cycle

8. Under the diligence standard of §10.22, when may a practitioner rely on information furnished by a client without independently verifying it?

A. Never; all client-provided figures must be independently substantiated
B. When the information appears correct, consistent, and reasonably complete
C. Only when the client provides notarized supporting documentation
D. Only if the client has been a client for five years

9. Which arrangement would violate §10.24's restriction on who a practitioner may employ or accept assistance from in a practice before the IRS?

A. Hiring a paralegal who has never held a PTIN
B. Employing a bookkeeper who is not an enrolled agent
C. Retaining an unenrolled preparer to organize client files
D. Knowingly accepting assistance from a currently suspended practitioner

10. Derek Falconbridge, a former IRS attorney, personally and substantially worked on a specific taxpayer's case while employed by the government. After leaving the IRS, what does §10.25 restrict him from doing?

A. Practicing before the IRS in any capacity for two years
B. Representing any client whose return he did not personally examine
C. Representing any party in that particular matter he personally handled

D. Accepting employment at any accounting firm within one year

11. Under §10.27(a), a practitioner is prohibited from charging a client which type of fee?

A. A flat fee agreed upon before an original return is prepared
B. An unconscionable fee for services connected to an IRS matter
C. An hourly rate consistent with prevailing local market rates
D. A retainer collected before Appeals representation formally begins

12. Under §10.27(b), a practitioner may generally charge a contingent fee for which of the following?

A. Services rendered in connection with an IRS examination of an original return
B. Preparation of an original return with no prior IRS contact
C. Preparation of an amended return correcting a simple math error
D. Any return preparation engagement regardless of IRS involvement

13. Client Renata Salgado terminates representation while a fee dispute with her practitioner is unresolved. Under §10.28, what must the practitioner do regarding her records?

A. Retain all records until the outstanding fee is paid
B. Promptly return records the client needs for tax compliance
C. Destroy the records to protect ongoing client confidentiality
D. Transfer records only to a new enrolled agent

14. Enrolled agent Marisol Thackeray provides written tax advice to a client regarding a proposed transaction. Under §10.37, what must her written advice reflect?

A. Advice may rely exclusively on facts the client explicitly labels as accurate, without independent judgment
B. Advice need not separately consider the tax treatment of each material transaction feature
C. Advice may omit any consideration of the possibility of an IRS audit or challenge

D. Reasonable factual and legal assumptions and consideration of all relevant facts known to the practitioner

15. A practitioner who prepared Jonah Whitcombe's tax return receives his federal refund check. Under §10.31, what is the practitioner prohibited from doing with that check?

A. Endorsing or otherwise negotiating the refund check
B. Forwarding the unopened check to the client by mail
C. Notifying the client that the refund check has arrived
D. Retaining a copy of the check for the client file

16. An enrolled agent advertises a specific fee for preparing a basic Form 1040. Under §10.30, for how long must the practitioner honor that published fee once advertised?

A. Ten calendar days from the date of publication
B. Fifteen calendar days from the date of publication
C. Thirty calendar days from the date of publication
D. Ninety calendar days from the date of publication

17. Which of the following is NOT a sanction authorized under Circular 230 §10.50 for practitioner misconduct?

A. Suspension of the practitioner's eligibility to practice before the IRS
B. Imposition of a monetary penalty against the practitioner directly
C. Permanent revocation of the practitioner's underlying state professional license
D. Disbarment from practice before the Internal Revenue Service entirely

18. Attorney Marguerite Isoke was convicted of embezzlement, a crime involving dishonesty, in state court. Under §10.51, which characterization is correct regarding OPR's authority to act?

A. OPR must wait for a federal felony conviction before acting

B. OPR may act only if the IRS itself was the victim
C. OPR needs a final appellate ruling before any action
D. OPR may treat the conviction itself as disreputable conduct

19. Enrolled agent Corbin Featherstone willfully failed to file her own personal income tax returns for three consecutive years despite having taxable income. What does §10.51 provide regarding this conduct?

A. It only violates Circular 230 if a client complains
B. Willfully failing to file her own returns is disreputable conduct
C. It is excused because it involves her personal taxes only
D. It violates §10.51 only after a fourth consecutive year

20. Tax preparer Roland Vasquez-Kim deposited a client's estimated tax payment into his personal operating account and used it to cover office expenses before remitting it late. Under §10.51, this conduct is best classified as:

A. Misappropriation of client funds constituting disreputable conduct
B. A permissible short-term loan if repaid with interest
C. A bookkeeping error outside OPR's disciplinary jurisdiction
D. Acceptable practice as long as funds are eventually remitted

21. For OPR to impose a sanction under §10.52 for violating the duties in §10.51 or the Subpart B standards, what must generally be shown about the practitioner's conduct?

A. The conduct caused measurable financial harm to a client
B. The conduct occurred during an active IRS examination only
C. The conduct was willful, reckless, or grossly incompetent
D. The conduct was reported first by a third party

22. An IRS revenue agent, Colleen Brannigan, discovers evidence suggesting a practitioner violated Circular 230 during an audit. Under §10.53, what is the required next step?

A. She must promptly make a written report referring the matter to OPR
B. She must personally interview the practitioner before reporting anything
C. She may only report the matter if her manager first approves it
D. She must wait until the audit closes to report anything

23. OPR decides to institute a disciplinary proceeding against practitioner Hector Villalobos. Under §10.60, how is a proceeding formally instituted?

A. By publishing notice of the proceeding in the Federal Register
B. By filing a complaint that names the respondent and is served
C. By OPR issuing a verbal warning during a phone call
D. By posting a public notice on the IRS website homepage

24. After being served with a complaint, practitioner Renata Sokolova fails to file a timely answer as required under §10.61. What is the consequence?

A. The proceeding is automatically dismissed for lack of response
B. OPR must grant an automatic sixty-day extension to answer
C. The complaint is treated as withdrawn by operation of law
D. The allegations may be deemed admitted and default entered

25. While a disciplinary proceeding against practitioner Aaron Fitzwilliam is already pending, OPR learns of additional misconduct related to the same case. Under §10.62, what may OPR do?

A. Start an entirely separate proceeding with a new docket number
B. Wait until the current proceeding concludes to raise new conduct
C. File supplemental charges adding the new conduct to the existing case
D. Refer the additional conduct exclusively to a state licensing board

26. Under §10.63, which method is acceptable for serving a complaint or other papers on a practitioner in a Circular 230 disciplinary proceeding?

A. Posting the documents on a public IRS bulletin board only
B. Announcing the complaint's contents during a recorded conference call
C. Publishing a legal notice in a local newspaper only
D. Mailing the documents to the practitioner's last known address

27. OPR discovers that practitioner Silas Whitcombe-Reyes engaged in disreputable conduct four years ago and wants to institute a disciplinary complaint against him today. Which statement correctly describes any time limit on OPR's authority to file the complaint?

A. OPR must file within three years of the misconduct, mirroring the assessment statute of limitations
B. Circular 230 imposes no specific statute of limitations on when OPR may institute a proceeding
C. OPR must file within six years whenever the underlying conduct involves fraud
D. OPR loses authority to act once the practitioner's PTIN has expired or lapsed

28. During an ALJ hearing under §10.69, how are evidentiary rules generally applied compared to a federal civil trial?

A. Formal rules of evidence are relaxed if evidence is reliable
B. Only notarized documentary evidence may ever be admitted
C. Hearsay is automatically excluded under all circumstances
D. Witnesses may testify only if physically present, never remotely

29. After the ALJ issues a decision under §10.70, what recourse does a dissatisfied party generally have?

A. Either party may appeal the decision to the Treasury Appellate Authority
B. The decision is final and immediately unappealable by either side
C. Only the practitioner, never OPR, may appeal the decision
D. Appeal is only available by filing suit in federal district court

30. Once a Circular 230 disciplinary decision becomes final, what does §10.76 provide regarding public access to that record?

A. The decision remains sealed permanently to protect the practitioner
B. Access requires a formal Freedom of Information Act request only
C. The final disciplinary decision is generally available to the public
D. Only the practitioner's state bar may view the final decision

31. Practitioner Octavia Merriweather's state CPA license was revoked following a state board disciplinary action based on the same underlying misconduct. Under §10.82, what expedited action may OPR take regarding her eligibility to practice before the IRS?

A. OPR must wait for a full ALJ hearing before taking any action under any circumstances
B. OPR has no authority to act until the state license revocation becomes permanent
C. OPR may suspend her only after first obtaining a federal district court order
D. OPR may summarily suspend her on an expedited basis pending the disciplinary proceeding

32. During an examination, Tobias Kirchner asks the revenue agent why his Schedule C was selected for review and requests a plain-language explanation of what will happen at each step of the audit. Which Taxpayer Bill of Rights provision guarantees him this explanation?

A. Right to Retain Representation, which allows him to hire an enrolled agent to speak with the IRS on his behalf.
B. Right to Be Informed, which entitles him to clear explanations of IRS laws, procedures, and decisions affecting his account.
C. Right to Finality, which sets known time limits on how long the IRS may audit or collect a given tax year.
D. Right to Privacy, which requires any IRS inquiry to be no more intrusive than necessary under the law.

33. During a field examination, Revenue Agent Priya Nathan asks to see Denise Okafor's home office solely to verify the square footage claimed for a home-office deduction, and declines to review unrelated personal records stored in the same room. This restraint illustrates which right?

A. Right to Privacy, which requires any IRS inquiry, examination, or enforcement action to be no more intrusive than necessary.

B. Right to Confidentiality, which prevents the IRS from disclosing return information to unauthorized third parties without consent.

C. Right to Finality, which guarantees taxpayers a known timeframe for how long an examination may remain open.

D. Right to Appeal an IRS Decision in an Independent Forum, which allows review by an officer outside Examination.

34. Enrolled agent Tomas Reyes reminds his client that information provided to the IRS about her tax matters generally cannot be shared with unauthorized third parties, and that the IRS may take action against employees who improperly disclose it. Which right protects this?

A. Right to Quality Service, which entitles taxpayers to prompt, courteous, and professional assistance from IRS employees.

B. Right to Pay No More Than Correct Amount, which limits liability to only what is legally owed.

C. Right to Challenge the IRS's Position and Be Heard, which allows objections supported by documentation.

D. Right to Confidentiality, which restricts disclosure of taxpayer information unless authorized by the taxpayer or by law.

35. After receiving a 30-day letter proposing an adjustment, Angela Petrosyan wants an impartial administrative review of her case by an officer who was not involved in the original examination, before any matter proceeds to litigation. This entitlement is called the:

A. Right to Be Informed, which requires clear explanations of IRS procedures, laws, and account-related decisions.

B. Right to Retain Representation, which permits an authorized representative to act on the taxpayer's behalf.

C. Right to Appeal an IRS Decision in an Independent Forum, which provides a fair, impartial administrative review separate from Examination.

D. Right to Finality, which establishes defined time limits on IRS audit and collection actions.

36. Anwar Dellacorte wants assurance that once the IRS has notified him a matter is closed, and after the assessment statute of limitations has expired, the agency generally cannot reopen the same tax year indefinitely. This assurance rests on the:

A. Right to Privacy, which limits how intrusive an IRS inquiry or enforcement action may be.
B. Right to Finality, which entitles taxpayers to know the maximum time the IRS has to audit or collect a given year.
C. Right to Confidentiality, which restricts unauthorized disclosure of return information to third parties.
D. Right to Quality Service, which entitles taxpayers to prompt and courteous treatment from IRS staff.

37. During an unannounced interview, Genevieve Ashcombe tells the revenue officer that she wishes to stop and consult her enrolled agent before answering further questions. Under IRC §7521, the officer must suspend the interview, illustrating the:

A. Right to a Fair and Just Tax System, which considers facts and circumstances affecting ability to pay or provide information.
B. Right to Challenge the IRS's Position, which allows raising objections with supporting documentation.
C. Right to Pay No More Than Correct Amount, which limits assessments to what is legally owed.
D. Right to Retain Representation, which entitles a taxpayer to designate a representative and requires the interview be suspended if requested.

38. Which statement correctly distinguishes correspondence, office, and field examinations by location and complexity?

A. Correspondence audits happen at the taxpayer's business location, office audits are conducted entirely through the mail, and field audits are reserved only for nonprofit filers.
B. Field audits involve simple mailed inquiries about one line item, while office audits require an on-site inspection of the taxpayer's full business books and records.
C. Correspondence audits are handled by mail for simple issues, office audits occur at an IRS office for moderate complexity, and field audits occur on-site for the most complex returns.
D. Office audits are always conducted by phone, correspondence audits require travel to an IRS campus, and field audits are limited to estate tax returns only.

39. Following the close of an examination with proposed adjustments, the IRS sends Preston Alvarez a letter giving him 30 days to request Appeals consideration before a statutory notice of deficiency will be issued. This letter is commonly referred to as the:

A. 30-day letter, which offers an administrative appeal opportunity before a formal deficiency notice is mailed.

B. 90-day letter, which is the statutory notice of deficiency itself allowing a Tax Court petition.

C. CP2000 notice, which proposes changes based on income document mismatches rather than an examination.

D. Notice of Federal Tax Lien, which publicly secures the government's interest in a taxpayer's property.

40. Camille Duarte's proposed increase in tax, penalties, and interest for the year under examination totals $18,000. To request Appeals consideration for this dispute, which procedure applies?

A. She must file a formal written protest containing detailed facts, law, and argument for every disputed issue in the case.

B. She may submit a small-case request because the total amount at issue is $25,000 or less for any tax period involved.

C. She must bypass Appeals entirely and petition the U.S. Tax Court directly for review of the proposed adjustment.

D. She must file Form 12153 requesting a Collection Due Process hearing before the Office of Appeals.

41. Appeals Officer Renata Hoyos is assigned Diego Salazar's case after it leaves Examination. Under RRA98 §1001(a) restrictions on ex parte communications, what must she avoid?

A. Reviewing the taxpayer's written protest before scheduling the initial Appeals conference with the representative.

B. Weighing the hazards of litigation while evaluating the case for a possible settlement offer.

C. Discussing the merits or weaknesses of the case with the examining agent outside the taxpayer's presence.

D. Coordinating conference scheduling logistics with the taxpayer's authorized representative by telephone or email.

42. Nathaniel Ferro's case is still open in Examination, and both he and the examiner want a faster resolution using an Appeals officer as mediator while Examination retains jurisdiction. Which program should he request?

A. Fast Track Settlement, which uses an Appeals officer to mediate while the case remains within Examination's jurisdiction.

B. Fast Track Mediation, which is only available after a case has already been formally transferred to Appeals.

C. A Collection Due Process hearing, which addresses proposed levies or liens rather than unresolved examination issues.

D. Audit reconsideration, which reopens a previously closed examination after an assessment has already been made.

43. Wesley Okonkwo's case has been in Appeals for several months, but settlement discussions on a specific factual issue have reached an impasse. Before petitioning Tax Court, which optional program lets him request a trained mediator to help resolve just that issue while remaining in the Appeals process?

A. Fast Track Settlement, designed for cases still open in Examination rather than already assigned to Appeals.

B. Post-Appeals Mediation, which lets a trained mediator assist with unresolved issues after Appeals talks stall.

C. Audit Reconsideration, which reopens a closed examination after the tax has already been assessed.

D. Collection Due Process, which addresses disputes over a proposed levy or filed federal tax lien.

44. The IRS mails Beatrix Solano a statutory notice of deficiency on June 1, and she resides within the United States. By when must she file a petition with the U.S. Tax Court to preserve her right to contest the deficiency before payment?

A. 30 days from the date the notice was mailed to her last known address.

B. 60 days from the date the notice was mailed to her last known address.

C. 120 days from the date the notice was mailed to her last known address.

D. 90 days from the date of mailing, extended to 150 days if addressed outside the United States.

45. Appeals Officer Farah Delacroix is evaluating Gustavo Reyes's protested case and weighing the probability that the IRS would prevail if the matter proceeded to court, rather than relying strictly on technical merits alone. This settlement approach is known as considering the:

A. Hazards of litigation, weighing each side's likelihood of prevailing if the case were actually litigated.
B. Doctrine of substance over form, disregarding a transaction's label in favor of its true economic effect.
C. Cohan rule estimation standard, allowing reasonable expense estimates absent complete documentation.
D. Step-transaction doctrine, collapsing a series of formally separate steps into one integrated transaction.

46. Willa Bergstrom did not respond during an IRS examination, and the agency assessed tax based solely on the auditor's determination without her input. She now wants to submit missing documentation to have the assessment administratively reviewed without going to Appeals or court. Which process should she request?

A. A Collection Due Process hearing, which challenges a proposed levy or lien rather than the underlying assessed liability.
B. Audit reconsideration, an informal process for reviewing a prior assessment when new information or documentation is submitted.
C. An Offer in Compromise, which resolves a liability for less than the full amount owed based on ability to pay.
D. Innocent spouse relief, which relieves one spouse of liability for tax attributable to the other spouse's errors.

47. Winslow Padgett owes $38,000 in combined tax, penalties, and interest and wants to enter an installment agreement without submitting a full Form 433-F financial statement. Under what circumstances may the IRS grant this without requiring full financial disclosure?

A. Only if he agrees to pay in full within 24 months and provides bank statements for verification purposes
B. Only if he is currently unemployed and can prove economic hardship using Form 433-A worksheets

C. If his total balance is $50,000 or less and he agrees to full payment within 72 months or before the CSED

D. Never, because all installment agreements above $25,000 require submission of a complete financial statement

48. Renata Silva enters into a partial payment installment agreement (PPIA) because her monthly payments will not fully satisfy her liability before the collection statute of limitations expires. Under IRS policy, what additional requirement applies to a PPIA that does not apply to a standard installment agreement?

A. The taxpayer must resubmit Form 656 annually to maintain compliance with the offer terms

B. The taxpayer must waive the collection statute of limitations for the entire remaining balance

C. The taxpayer must pay a one-time streamlined agreement fee equal to 10% of the liability

D. The IRS must review the taxpayer's financial condition at least once every two years

49. The IRS mails Grace Whitfield a Notice of Federal Tax Lien filing and separately a Final Notice of Intent to Levy. Under IRC §§6320 and 6330, how many days does she have from the date of each notice to timely request a Collection Due Process hearing?

A. 10 days

B. 15 days

C. 30 days

D. 60 days

50. Dominic Ferraro missed the 30-day deadline to request a CDP hearing after receiving a Final Notice of Intent to Levy. What administrative relief, if any, remains available to him?

A. He may request a CDP hearing late, and the Tax Court will still have full jurisdiction to review it

B. He forfeits all administrative appeal rights and must pay the liability in full before any review

C. He may request a new CDP hearing within 30 days of the next collection notice the IRS issues

D. He may request an equivalent hearing with Appeals, though judicial review by the Tax Court is unavailable

51. How does the Collection Appeals Program (CAP) primarily differ from a Collection Due Process (CDP) hearing?

A. CAP is available only after a Tax Court petition has been filed challenging a CDP determination

B. CAP decisions are generally not subject to judicial review, unlike CDP determinations

C. CAP applies exclusively to liens while CDP applies exclusively to levy actions

D. CAP requires a $50,000 minimum liability threshold that CDP does not require

52. Yolanda Brooks discovers that her ex-husband understated income on a joint return she signed, and she had no actual or reason to know of the omitted income. Which provision allows her to seek relief from the resulting understated tax liability?

A. Innocent spouse relief under IRC §6015(b), (c), or (f)

B. Injured spouse allocation under IRC §6402(a)

C. Transferee liability relief under IRC §6901

D. Collection due process relief under IRC §6330

53. When the IRS processes a Form 8379 injured spouse allocation after a joint refund was offset against one spouse's separate pre-marital debt, how does the IRS generally determine the non-liable spouse's recoverable share of the refund?

A. By splitting the refund automatically fifty-fifty between both spouses regardless of income

B. By allocating income, withholding, and refundable credits between the spouses as if separate returns had been filed

C. By awarding the entire refund to the non-liable spouse regardless of her income contribution

D. By requiring a separate IRS field audit before any allocation can be calculated

54. Under IRC §6502, how long does the IRS generally have to collect an assessed tax liability, and which of the following actions tolls (suspends) that collection period?

A. 10 years from assessment; the period is suspended while an offer in compromise is pending, plus 30 days

B. 10 years from assessment; the period is suspended only during active bankruptcy proceedings and never otherwise

C. 6 years from assessment; the period is suspended while the taxpayer is in an installment agreement only

D. 3 years from assessment; the period is suspended solely by filing a CDP hearing request, no other event

55. Camille Osterhagen can fully pay her tax liability, and the IRS could theoretically collect the full amount from her assets. However, doing so would create a significant economic hardship because of her disabled child's ongoing medical needs. Which type of Offer in Compromise is designed for this situation?

A. Doubt as to liability, because the assessed amount is factually or legally incorrect

B. Doubt as to collectibility, because she lacks the ability to ever pay the full amount

C. A streamlined offer based solely on her income falling below poverty guidelines

D. Effective tax administration, because full collection would cause economic hardship despite her ability to pay

56. Harold Kessinger wants to submit an Offer in Compromise arguing that the IRS incorrectly assessed additional tax because it failed to credit estimated payments he actually made. Which basis for an Offer in Compromise applies to his situation?

A. Effective tax administration, based on hardship from full payment

B. Doubt as to collectibility, based on his limited future income

C. Doubt as to liability, based on a genuine dispute over the correctness of the assessment

D. Collection due process relief, based on procedural notice defects

57. When does a federal tax lien under IRC §6321 actually attach to a taxpayer's property, and what role does filing a Notice of Federal Tax Lien (NFTL) play?

A. The lien attaches only when the NFTL is filed; before filing, the IRS has no interest in the property

B. The lien attaches automatically upon assessment, demand, and nonpayment; the NFTL filing only establishes public priority

C. The lien attaches when a levy is issued; the NFTL filing has no legal effect on lien attachment
D. The lien attaches when the taxpayer signs a Form 433-A; the NFTL filing merely notifies credit bureaus

58. Beatrice Solano fully pays her outstanding tax liability, including all accrued penalties and interest. Under IRC §6325, what is the IRS's obligation regarding the previously filed Notice of Federal Tax Lien?

A. The IRS may withdraw the lien only if Beatrice specifically requests withdrawal in writing within 10 days
B. The IRS has no further obligation, and the lien remains publicly recorded indefinitely as a matter of law
C. The IRS must release the lien within 30 days of full satisfaction of the liability
D. The IRS must convert the lien into a levy notice before it can be formally released

59. Under IRC §7345, what action can the IRS take against a taxpayer with a 'seriously delinquent tax debt,' and what threshold generally triggers this action?

A. The IRS certifies the debt to the State Department, which can deny, revoke, or limit a passport, once the debt exceeds an inflation-adjusted threshold originally set at $50,000
B. The IRS automatically seizes the taxpayer's passport at the nearest federal courthouse once the debt exceeds $10,000
C. The IRS certifies the debt to the Department of Homeland Security, which places the taxpayer on a no-fly list
D. The IRS revokes the taxpayer's Social Security number once the unpaid balance surpasses $100,000 total

60. The IRS is evaluating whether to place Anthony Reyes's account in currently not collectible (CNC) status due to hardship. Using Form 433-A or 433-F, what standard does the IRS apply to determine his necessary living expenses?

A. Actual expenses only, regardless of amount, as long as receipts are provided for every line item
B. A flat percentage of gross income, set annually by the IRS regardless of household size or location

C. Only housing and utility costs, since other expenses are presumed to be discretionary spending

D. National and local Collection Financial Standards for necessary expenses based on household size and location

61. Diane Kowalski, an enrolled agent, reviewed a new client's prior return and found no mileage log, no receipts, and clear disregard of the EA's written recordkeeping instructions despite substantial claimed deductions. Which section 6662(b) accuracy-related penalty component applies, and at what rate?

A. Substantial understatement of tax component, applied at 20% of the understatement amount

B. Negligence or disregard of rules or regulations component, applied at 20% of the underpayment

C. Substantial valuation misstatement component, applied at 20% of the overstated value

D. Civil fraud penalty under section 6663, applied at 75% of the underpayment

62. Marcus Chen's individual return understated his tax liability by an amount exceeding both $5,000 and 10% of the tax required to be shown on the return. Absent fraud, which section 6662 component applies to this understatement?

A. Negligence or disregard of rules component under section 6662(b)(1)

B. Reportable transaction understatement component under section 6662A

C. Substantial understatement of income tax component under section 6662(b)(2)

D. Substantial valuation misstatement component under section 6662(e)

63. An appraisal used on Roberto Delgado's estate tax return claimed a value 150% of the correct value, resulting in a $50,000 understatement. Which accuracy-related penalty component applies, and at what standard rate?

A. Negligence component, 20% rate, because the appraisal was not obtained in good faith

B. Substantial understatement component, 20% rate, based on the dollar threshold test

C. Reportable transaction understatement component, 20% rate, under section 6662A

D. Substantial valuation misstatement component, 20% rate, because the claimed value exceeded 150% of correct value

64. The IRS imposes the civil fraud penalty under §6663 against a taxpayer who was never criminally prosecuted or convicted of tax evasion. Is this permissible?

A. Yes, because the civil fraud penalty may be imposed independently of any criminal prosecution or conviction
B. No, a civil fraud penalty requires a prior criminal conviction for tax evasion under §7201
C. No, absent a conviction, only the 20% negligence penalty may ever apply instead
D. Yes, but only if the taxpayer waives the right to a jury trial in writing beforehand

65. On a jointly filed return, only Gerald Whitfield willfully underreported income through a fraudulent scheme; his wife had no knowledge of or involvement in the fraud. How does section 6663 treat the fraud penalty in this situation?

A. Both spouses are jointly and severally liable for the fraud penalty automatically
B. The fraud penalty applies only to the spouse whose own conduct is shown to be fraudulent
C. The fraud penalty is split equally between both spouses regardless of individual conduct
D. The fraud penalty cannot be imposed at all when a joint return was filed

66. A taxpayer files a return four months and three days after the due date, with no extension requested and no reasonable cause shown. Under §6651(a)(1), how many months of the 5%-per-month failure-to-file penalty apply for that partial fifth month?

A. Zero, because a partial month is prorated based on the number of days late
B. A full month's penalty applies only if the delay exceeds fifteen days into the new month
C. A full month's penalty applies for any part of a month, so all five months are counted in full
D. The penalty freezes after the fourth full month and does not resume for a partial month

67. Harold Ibarra's return was both filed late and paid late in the same month. How do the failure-to-file and failure-to-pay penalties under section 6651 interact for that month?

A. The failure-to-file rate is reduced by the failure-to-pay rate for any month both apply
B. The two penalties are assessed independently with no reduction for concurrent months

C. Only the larger of the two penalties applies, and the smaller is waived entirely
D. The failure-to-pay penalty is suspended entirely whenever a failure-to-file penalty is also due

68. Angela Petrov, a self-employed consultant, failed to pay sufficient quarterly estimated tax throughout the year and owed a balance at filing. Which Code section imposes a penalty for her underpayment of estimated tax, and how is it generally computed?

A. Section 6651, computed as 5% per month of the total unpaid balance due
B. Section 6662, computed as 20% of the portion attributable to negligence
C. Section 6655, which applies exclusively to corporate estimated tax underpayments
D. Section 6654, computed similarly to interest on the underpaid installment amounts

69. Vanguard Machining Corp underpaid its required quarterly estimated tax installments for the year. Which Code section governs this corporate underpayment penalty, and against whom does it primarily apply?

A. Section 6655, applying specifically to corporations that underpay estimated income tax installments
B. Section 6654, applying only to individual taxpayers who underpay estimated tax
C. Section 6662, applying a flat 20% accuracy-related penalty to corporate underpayments
D. Section 6651, applying the standard failure-to-pay penalty to corporate installments

70. Enrolled agent Selina Marchetti-Voss is evaluating whether her client's late filing qualifies for a reasonable cause defense to the section 6651 penalty. What standard governs whether reasonable cause exists?

A. Whether the taxpayer relied on a preparer without independently verifying every calculation
B. Whether the taxpayer's income fell below the filing threshold for the tax year
C. Whether the taxpayer voluntarily disclosed the noncompliance before being contacted by the IRS
D. Whether the taxpayer exercised ordinary business care and prudence but still could not comply

71. Enrolled agent Fenella Achterberg's client has no penalties in the prior three years and wants to request first-time abatement for a failure-to-file penalty. Beyond that clean compliance history, what additional condition must the client satisfy to qualify?

A. The client must have already fully paid the underlying tax liability in cash
B. The client must submit Form 656, Offer in Compromise, along with the abatement request
C. The client must have filed, or filed a valid extension for, all currently required returns
D. The client must demonstrate financial hardship using Form 433-A or Form 433-F

72. A small business filed its Forms 1099-NEC 45 days after the due date but corrected the error before the extended tiered deadline expired. Under section 6721, how does the penalty amount generally scale?

A. A single flat penalty applies regardless of when the correction is made
B. The penalty increases in tiers based on how late the correction is filed
C. The penalty is waived automatically for any correction made within one calendar year
D. The penalty is calculated solely as a percentage of the payments reported late

73. Preparer Wendell Krauss signed a return taking a position with no substantial authority, and he neither disclosed the position nor had a reasonable belief it was more likely than not correct. What penalty applies under section 6694(a)?

A. The greater of $5,000 or 75% of income derived, for willful conduct
B. A flat $50,000 penalty regardless of the amount of tax understated
C. The greater of $1,000 or 50% of income derived from preparing the return
D. A criminal misdemeanor penalty under section 7216 for unauthorized position-taking

74. Preparer Yvonne Castellano knowingly and willfully understated her client's liability to inflate a refund, disregarding information she had received. What is the penalty under section 6694(b) for willful or reckless conduct, and how does it relate to any section 6694(a) penalty already assessed?

A. $500 flat, imposed only if no section 6694(a) penalty was previously assessed
B. 20% of the understatement, imposed in addition to any negligence penalty assessed

C. 75% of income derived, imposed only after a criminal conviction is obtained

D. The greater of $5,000 or 75% of income derived, reduced by any 6694(a) penalty

75. Preparer Beatriz Salgado completed Form 8867 due-diligence documentation for a client's return claiming the Child Tax Credit. Under the applicable due-diligence regulations, how long must she retain this documentation?

A. One year from the date the return was electronically transmitted to the IRS

B. Three years from the latest of the filing date, due date, or date the return was presented to the client for signature

C. Five years from the date the IRS ultimately allowed or disallowed the credit

D. Indefinitely, since due-diligence records are never subject to any retention limit

76. Under §6700, a penalty applies to a person who participates in selling an interest in an abusive tax arrangement by making a false statement about tax benefits, or alternatively by making a statement regarding deductibility that the person knows is a:

A. Gross valuation overstatement, meaning a stated value exceeding 200% of the correct value

B. Minor computational error not exceeding a five percent variance from the correct value

C. Statement later corrected voluntarily before any IRS examination begins

D. Reasonable, good-faith estimate supported by a qualified independent appraisal

77. Bookkeeper Felicia Osei knowingly prepared false supporting documents for a client's return, aware the documents would understate the client's tax liability, though she did not sign the return as preparer. Which penalty applies under section 6701?

A. Section 6694(a), the unreasonable-position penalty applicable only to signing preparers

B. Section 6695, the due-diligence penalty limited to refundable credit claims

C. Section 6701, the aiding-and-abetting penalty for knowingly assisting an understatement

D. Section 6721, the information-return penalty for incorrect supporting documentation

78. Prosecutors charged Trevor Landis with tax evasion under section 7201 after he concealed income in offshore accounts and falsified records. What must the government prove beyond a reasonable doubt to convict?

A. A substantial understatement exceeding the greater of 10% or $5,000, plus negligence
B. An affirmative act of evasion, an additional tax due and owing, and willfulness
C. Mere nonpayment of an assessed liability without any additional affirmative conduct
D. A pattern of late filings over three consecutive tax years without more

79. Contractor Isaiah Broderick simply failed to file his returns for two years despite having the means to do so and no affirmative act of concealment. What is the classification and maximum penalty structure for this conduct under section 7203?

A. A felony punishable by up to five years imprisonment per violation
B. A civil-only violation carrying no risk of imprisonment whatsoever
C. A felony requiring proof of an affirmative act of evasion under section 7201
D. A misdemeanor punishable by up to one year imprisonment per violation

80. Return preparer Katrina Wolski signed her own return under penalties of perjury while knowing it did not report substantial cash income she had received. Which felony under section 7206(1) applies to this conduct?

A. Willfully making and subscribing a return believed not to be true as to every material matter
B. Willfully aiding in the preparation of a false return filed by another person
C. Willfully failing to collect and pay over trust fund taxes withheld from employees
D. Willfully attempting to evade or defeat a tax through an affirmative concealment act

81. Preparer Anthony Marchetti helped a client fabricate deductions on a return that the client then signed and filed, though Marchetti himself did not sign as preparer. Which felony under section 7206(2) could apply, and what must be proven?

A. Section 7201, requiring proof of an additional tax deficiency actually due and owing

B. Section 7203, requiring only a willful failure to file the return in question
C. Section 6701, a civil aiding-and-abetting penalty requiring no criminal intent whatsoever
D. Section 7206(2), requiring willful assistance in preparing a return known to be fraudulent or false

82. After Priya Balakrishnan was convicted and ordered to pay criminal restitution for tax offenses, the IRS sought to assess and collect that amount civilly. What authority allows this restitution-based assessment?

A. Section 6201(a)(4), permitting assessment and collection of restitution ordered for a title 26 offense
B. Section 6663, treating the restitution order itself as conclusive proof of civil fraud
C. Section 7433, allowing restitution to be collected only through a civil damages lawsuit
D. Section 6501(c)(1), extending the assessment period indefinitely whenever restitution is ordered

83. Requesting innocent spouse relief under section 6015 after a joint return understated tax due to her former husband's unreported business income, Camille DuPree must satisfy which burden of proof standard?

A. Beyond a reasonable doubt, the same standard applied in criminal tax prosecutions
B. Clear and convincing evidence, the same heightened standard applied to civil fraud
C. Preponderance of the evidence, the standard generally applied to innocent spouse claims
D. No burden of proof applies because innocent spouse relief is granted automatically

84. An individual whistleblower's information leads the IRS to collect proceeds in a case where the total amount in dispute is $1.5 million. Under §7623(b)'s mandatory award provisions, is the whistleblower guaranteed eligibility for the mandatory 15% to 30% award?

A. Yes, any amount of collected proceeds automatically qualifies for the mandatory award tier
B. No, mandatory awards under §7623(b) generally require the amount in dispute to exceed $2 million
C. Yes, but only if the whistleblower is a current or former IRS employee at the time of filing
D. No, mandatory awards under §7623(b) apply only to corporate taxpayers, never individuals

85. Quentin Blackwood, a self-employed consultant, cannot complete his Form 1040 by April 15. He timely files Form 4868 and mails a check for his estimated balance due. What does Form 4868 actually accomplish?

A. It grants Quentin an automatic six-month extension to pay his balance due.

B. It extends both the filing deadline and the payment deadline by six months.

C. It waives any interest that accrues on unpaid tax after April 15.

D. It grants Quentin an automatic six-month extension to file, not to pay.

86. Priya Nadarajah filed her 2022 Form 1040 on April 15, 2023, and paid the balance due at that time. She wants to file Form 1040-X to claim an additional refund. Under §6511, what is the latest date she may generally file the claim?

A. Within two years of the original April 15, 2023 filing date only.

B. Within three years of the filing date or two years of payment, whichever is later.

C. Within one year of discovering the error, regardless of when she filed.

D. Within four years of the close of the tax year, with no exceptions.

87. Devon Ashworth owes $4,200 in tax he cannot pay in full when he files his Form 1040. He wants to request a monthly payment plan directly with his return rather than waiting for a balance-due notice. Which form should he attach?

A. Form 8821 attached to authorize the IRS to release his account information.

B. Form 2848 attached to grant power of attorney over his tax matters.

C. Form 9465 attached to request an installment agreement for the balance due.

D. Form 433-F attached to submit a full collection information statement to the IRS.

88. Renata Kowalski attempts to e-file a return claiming her son as a dependent, but the return is rejected because his SSN was already used on another accepted e-filed return. After confirming her claim is correct, what is the appropriate next step?

A. Paper-file the return, attaching Form 8948 or an explanation of the rejection.

B. Abandon the dependent claim entirely to allow the return to be e-filed.

C. Wait ninety days for the IRS to automatically reverse the other return.

D. Call the other filer directly to demand they amend their return first.

89. Terrence Boyle enrolled in the IRS Identity Protection PIN program after a prior identity theft incident. When he files his Form 1040 this year, where must the six-digit IP PIN be entered?

A. In the designated IP PIN box next to his signature on the return.

B. On a separate Form 14039 mailed independently of the tax return.

C. In the paid preparer section, next to the preparer's PTIN number.

D. On the envelope exterior so the IRS can verify identity before opening.

90. Rosalind Feathering e-filed her individual return three days ago and wants to check her refund status. Which tool should she use, and what is the typical timeframe before status information becomes available?

A. Get Transcript online, with status typically available within twenty-four hours of filing.

B. The e-Services Transcript Delivery System, available immediately after acceptance of the return.

C. Where's My Refund or the IRS2Go app, typically updated within twenty-four hours for e-filed returns.

D. Form 4506-T, which must be mailed and processed before status can be viewed.

91. Camille Fontaine wants to split her federal refund across a checking account, a savings account, and a traditional IRA using direct deposit. Which statement correctly describes the applicable rule?

A. Refunds may be split among unlimited accounts, but only checking accounts qualify.

B. Camille must use Form 8379 to authorize a split-refund direct deposit.

C. Only one direct deposit per tax year is permitted, regardless of accounts.

D. Camille may use Form 8888 to split her refund into up to three accounts.

92. Owen Whitfield is self-employed and must make quarterly estimated tax payments for the current calendar year. Which schedule correctly lists the standard due dates for those payments?

A. February 15, May 15, August 15, and November 15 of the same year.
B. April 15, June 15, September 15, and January 15 of the next year.
C. March 15, June 15, September 15, and December 15 of the same year.
D. April 1, July 1, October 1, and January 1 of the next year.

93. A mortgage lender needs to verify a borrower's income by obtaining a free transcript summarizing the tax return data on file with the IRS, rather than an exact copy of the original return. Which form should be used?

A. Form 4506, which provides an exact copy of the filed return for a fee.
B. Form 4506-T, which provides a free transcript rather than a copy of the return.
C. Form 8821, which grants ongoing access to future correspondence, not past filings.
D. Form 2848, which authorizes representation but does not release any return information.

94. Bianca Reyes wants immediate access to her IRS wage and income transcript without waiting for anything to arrive by mail. After completing the identity-verification process, which tool lets her view and print the transcript instantly?

A. The Get Transcript Online tool, accessible through her IRS individual online account.
B. Form 4506-T, mailed to the IRS and returned within ten business days.
C. The IRS2Go app, which mails a paper transcript within five to ten days.
D. Form 8821, which authorizes a third party to request the transcript by fax.

95. Harold Nakamura receives an IRS CP2000 notice stating that income reported by his employer does not match the amount reported on his return. Which statement correctly describes this notice?

A. It is a formal audit notice requiring an in-person examination appointment.
B. It is a final bill demanding immediate full payment within ten days.
C. It is a criminal referral notice triggered by suspected tax fraud.
D. It is an automated underreporter notice proposing changes based on third-party data.

96. Yusuf Karimi is e-filing his own return for the first time without a paid preparer. To sign the return electronically, he needs either his prior-year adjusted gross income or which alternative?

A. A notarized signature page mailed separately to the IRS service center.
B. His Social Security card number entered as a secondary identifier field.
C. A five-digit self-select PIN that he creates to authenticate his identity.
D. His employer's EIN entered in place of a traditional signature.

97. An Electronic Return Originator obtains a signed Form 8879, IRS e-file Signature Authorization, from a client before transmitting the return. What is the ERO's retention obligation for this form?

A. Destroy the form immediately once the return is accepted by the IRS.
B. Mail the original signed form to the IRS within three business days.
C. Retain the form three years from the due date or filing date, whichever is later.
D. Retain the form only until the taxpayer's refund is fully deposited.

98. Deshawn Pruitt fails to file his individual income tax return for several years despite IRS notices. The IRS ultimately prepares a return on his behalf using third-party income data. What is this IRS-prepared return called?

A. A jeopardy assessment filed under the taxpayer's Social Security number.
B. A substitute for return prepared under the authority of §6020(b).
C. A protective claim filed under §6511 to preserve refund rights.
D. A collateral agreement filed under §7121 to close the tax year.

99. Simone Bellweather mailed a paper Form 1040-X three weeks ago and wants to know when she can expect it to finish processing. Which timeframe should she generally be given?

A. Amended returns are typically processed within seventy-two hours of receipt.
B. Amended returns are typically processed within five to seven business days.
C. Amended returns are typically processed within two to three weeks total.
D. Amended returns generally take up to sixteen weeks to fully process.

100. After being appointed executor of an estate, Nathaniel Cho wants to formally notify the IRS that he now holds fiduciary responsibility for the decedent's tax matters. Which form accomplishes this, and what does it NOT do?

A. Form 56 notifies the IRS of the fiduciary relationship but does not grant representation authority.

B. Form 56 grants full power of attorney to represent the estate before the IRS.

C. Form 2848 notifies the IRS of the fiduciary relationship and grants representation.

D. Form 8821 notifies the IRS of the fiduciary relationship and requests transcripts.

Answer Key and Explanations — Practice Exam 32, Part 3: Representation, Practices, and Procedures

1. B — Circular 230 §10.4 permits enrollment without taking the Special Enrollment Examination when an applicant has qualifying technical experience with the IRS, but the application must be submitted within three years of leaving that IRS position. A preparation course, general bookkeeping work, or sponsorship from other enrolled agents does not satisfy this alternative eligibility pathway.

2. A — Under §10.6, practitioners must retain evidence of completed continuing education, including sponsor name, location, dates, subject matter, and hours claimed, for the applicable renewal cycle and produce it upon IRS request. Retaking the examination, submitting explanations only below the hour threshold, and paying a reinstatement fee are not part of this recordkeeping obligation.

3. C — Circular 230's continuing education rules define one qualifying CE credit hour as fifty minutes of continuous instruction or presentation time; programs are measured in these fifty-minute increments regardless of total session length. Shorter blocks, quiz-only formats, or hours that include breaks and administrative activity do not qualify as full CE credit hours.

4. D — Under §10.8, merely preparing a tax return does not by itself constitute practice before the IRS, which involves matters such as representation, correspondence, and advocacy with the Service. Preparation may support limited representation rights for the preparer of that specific return, but enrollment status is not automatically triggered by preparation alone.

5. D — Section 10.9 requires organizations that want continuing education credit hours to count toward enrolled agent renewal to apply for and maintain approval as an IRS-recognized qualifying sponsor. State board registration, university accreditation, and per-program pre-approval from OPR are not the mechanism Circular 230 uses to recognize continuing education providers under this section.

6. C — Section 10.20(b) prohibits a practitioner from interfering, or attempting to interfere, with an IRS employee's lawful effort to obtain records or information directly from a taxpayer during an examination. Advising the client on privilege, seeking a reasonable extension, and accompanying the client to the meeting are permissible activities under Circular 230.

7. A — Section 10.23 requires a practitioner to act with reasonable promptness in all matters before the IRS, including responding to requests for information from the Service. Unjustified, prolonged inaction on a pending matter violates this duty, which is distinct from confidentiality, signature, and continuing education obligations found elsewhere in Circular 230.

8. B — Section 10.22 permits a practitioner to rely in good faith on information a client furnishes without independently verifying it, so long as the information appears correct, consistent with other facts known, and reasonably complete on its face. Obvious inconsistencies or incompleteness still require further inquiry before the practitioner may rely on it.

9. D — Section 10.24 bars a practitioner from knowingly employing or accepting assistance, in matters constituting practice before the IRS, from any individual who is currently disbarred or suspended from that practice. Hiring unenrolled staff such as paralegals, bookkeepers, or file clerks who are not themselves disbarred or suspended does not violate this rule.

10. C — Under §10.25, a former government employee may not represent, aid, or assist anyone in a particular matter in which the individual personally and substantially participated while working for the government. The restriction is tied to that specific matter rather than a blanket time period or a general limit on private employment.

11. B — Circular 230 §10.27(a) prohibits a practitioner from charging a client an unconscionable fee for services performed in connection with any matter before the Internal Revenue Service, regardless of how the fee is structured. Flat fees, market-rate hourly billing, and retainers collected before Appeals representation begins are not themselves prohibited under this section.

12. A — Section 10.27(b) generally bars contingent fees for preparing an original return, but recognizes exceptions, including services rendered in connection with an IRS examination of, or challenge to, that original return. Preparing routine original or amended returns with no IRS examination or challenge involved does not fall within a permitted contingent-fee exception.

13. B — Section 10.28 requires a practitioner to promptly return all records the client needs to comply with federal tax obligations, even when a fee dispute exists, though the practitioner may retain copies. State law may allow retaining certain records related to unpaid fees, but wholesale withholding of necessary client records is not permitted.

14. D — Section 10.37 requires written advice to be based on reasonable factual and legal assumptions, to consider all relevant facts the practitioner knows or should know, and to reflect the practitioner's best judgment after appropriate research. A practitioner may not unreasonably rely on client representations known to be incorrect or incomplete when preparing such advice.

15. A — Section 10.31 prohibits a practitioner who prepared a return from endorsing or otherwise negotiating a refund check issued to the client for that return, protecting the client's funds from misappropriation. Forwarding the check unopened, notifying the client of its arrival, and keeping a copy for the file are not prohibited actions.

16. C — Section 10.30 requires that once a practitioner publishes a specific fee for a described service, that fee must be honored for a reasonable period of not less than thirty calendar days from the date of publication. Shorter honor periods of ten or fifteen days, and a longer ninety-day period, do not match this rule.

17. C — Circular 230 §10.50 authorizes OPR to impose censure, suspension, disbarment, or a monetary penalty against a practitioner found to have violated the regulations. Revoking a state-issued professional license, such as a CPA or bar license, falls outside OPR's federal disciplinary authority and remains solely within each state licensing board's jurisdiction.

18. D — Under §10.51(a)(1), conviction of any crime involving dishonesty or breach of trust — state or federal — constitutes disreputable conduct subjecting a practitioner to discipline, regardless of whether the IRS was the victim. OPR need not wait for a final appellate ruling; the conviction itself triggers eligibility for sanction under Circular 230.

19. B — §10.51(a)(6) identifies a practitioner's willful failure to file, or willfully filing a fraudulent, personal federal tax return as disreputable conduct. This duty applies to the practitioner's own returns, not only client-related work, and repeated noncompliance strengthens, but is not required to establish, the willfulness element; even a single willful instance suffices.

20. A — §10.51(a)(9) treats misappropriation of client funds, including a practitioner's own use of money entrusted for a client's tax obligations, as disreputable conduct. Temporarily diverting the funds for personal or business expenses violates this duty even if the practitioner later remits the full amount, since the improper use itself constitutes the violation.

21. C — §10.52 authorizes OPR to impose sanctions when a practitioner willfully violates any provision of Circular 230, or violates the duty and restriction standards in Subpart B through reckless conduct or gross incompetence. This tiered standard ensures discipline targets serious culpable conduct rather than routine professional judgment calls made in good faith.

22. A — §10.53 requires an IRS officer or employee with information suggesting a practitioner violated Circular 230 to promptly make a written report to OPR, rather than resolving or ignoring the matter independently. This referral duty ensures OPR receives complete information promptly. No prior managerial approval is required before making the referral.

23. B — §10.60 provides that a disciplinary proceeding is instituted by OPR filing a complaint naming the practitioner as respondent, which must then be served on that individual to formally commence the case. Neither Federal Register publication nor a website posting satisfies this requirement; personal or mailed service on the respondent is required.

24. D — §10.61 requires a practitioner served with a complaint to file a written answer within the time period specified in the complaint. Failure to answer permits the allegations to be deemed admitted, and the Administrative Law Judge may enter a default decision imposing the proposed sanction without a full evidentiary hearing.

25. C — §10.62 permits OPR to file supplemental charges within an already-pending disciplinary proceeding when it discovers additional related misconduct, rather than requiring a separate new case. This consolidates related allegations against the same practitioner into one proceeding, promoting efficiency and avoiding duplicative litigation over connected conduct arising from the same circumstances.

26. D — §10.63 permits service of the complaint and other papers in a disciplinary proceeding by mailing them to the practitioner's last known address, among other approved methods. Publication in a newspaper, verbal announcement, or posting on a bulletin board does not satisfy the service requirements set out in this section for a valid, effective proceeding.

27. B — Unlike the assessment statutes of limitations found in the Internal Revenue Code, Circular 230 does not impose a specific statute of limitations on when OPR may institute a disciplinary proceeding for disreputable conduct. A practitioner's later PTIN expiration does not extinguish OPR's authority to pursue misconduct occurring while the practitioner was actively enrolled.

28. A — §10.69 relaxes the formal rules of evidence applicable in federal civil trials; the ALJ may admit evidence, including reliable hearsay, if it is relevant, material, and not unduly repetitious. Strict exclusion of all hearsay or requiring only notarized documents is not consistent with this flexible standard. Remote witness testimony is likewise generally permitted.

29. A — §10.70 permits either OPR or the practitioner who is dissatisfied with the Administrative Law Judge's decision to appeal that decision to the Treasury Appellate Authority. The decision is not automatically final or unappealable, and the right to appeal is not limited to only one side of the case. No separate federal lawsuit is required at this stage.

30. C — §10.76 provides that once a disciplinary decision becomes final, it is generally made available to the public, reflecting the transparency goals of the disciplinary process. A practitioner cannot rely on the decision remaining sealed indefinitely, and public access does not require a separate formal records request in most instances under this section.

31. D — Section 10.82 authorizes OPR to expeditiously suspend a practitioner, without the full disciplinary process, when the practitioner has had a license to practice as an attorney, CPA, or other recognized professional suspended or revoked by a state authority for cause, or has been convicted of certain crimes, pending the outcome of the underlying Circular 230 proceeding.

32. B — The Right to Be Informed is one of the ten rights in IRC §7803(a)(3)'s Taxpayer Bill of Rights and IRS Publication 1. It entitles taxpayers to clear explanations of the laws and procedures in all forms, instructions, notices, and correspondence, and to be told about IRS decisions affecting their accounts, including why a return was selected.

33. A — The Right to Privacy requires that any IRS inquiry, examination, or enforcement action comply with due process and be no more intrusive than necessary, respecting all appeal and other legal protections. Limiting the inspection to the specific square footage relevant to the deduction, rather than unrelated personal records, reflects this constraint under Publication 1.

34. D — The Right to Confidentiality generally prohibits the IRS from disclosing taxpayer information to third parties unless the taxpayer authorizes release or the law specifically permits it. IRC §6103 protects return information, and the IRS may pursue disciplinary or legal action against employees, preparers, or others who make unauthorized disclosures of confidential taxpayer data.

35. C — The Right to Appeal an IRS Decision in an Independent Forum entitles taxpayers to a fair, impartial administrative review by the Office of Appeals, separate from the examining function, before most disputes proceed to litigation. Taxpayers generally may also seek judicial review and are entitled to a written explanation when Appeals declines a case.

36. B — The Right to Finality guarantees taxpayers know the maximum time the IRS has to audit a particular tax year or collect a tax debt, and the maximum time to challenge an IRS position. Once an assessment statute of limitations under IRC §6501 expires, the IRS generally cannot reopen or reassess that same tax year.

37. D — The Right to Retain Representation entitles taxpayers to retain an authorized representative, such as an enrolled agent, attorney, or CPA, in dealings with the IRS. Under IRC §7521(b)(2), if a taxpayer states during an interview that she wishes to consult a representative, the IRS employee must suspend the interview to allow that consultation.

38. C — Correspondence audits are the least complex, conducted entirely through the mail for issues like a single missing document. Office audits address moderately complex individual return issues in person at a local IRS office. Field audits, conducted by a revenue agent at the taxpayer's home or business, address the most complex returns.

39. A — A 30-day letter is issued after an examination proposes adjustments, giving the taxpayer 30 days to request Appeals consideration by filing a protest or small-case request before the IRS issues a statutory notice of deficiency. Failing to respond within 30 days typically results in the case proceeding to the 90-day letter stage.

40. B — Under Appeals procedures, a taxpayer may use a small-case request instead of a formal written protest when the total amount of proposed tax, penalties, and interest for any tax period at issue is $25,000 or less. A formal written protest with detailed facts, law, and argument is required for larger disputes.

41. C — Under RRA98 §1001(a) and related IRS guidance, Appeals employees generally may not engage in ex parte communications with Examination or other IRS functions that discuss the strengths, weaknesses, or merits of a case outside the presence of the taxpayer or representative, preserving Appeals' independence and impartiality when resolving disputed tax matters.

42. A — Fast Track Settlement, available under Rev. Proc. 2003-40 and related guidance, allows a taxpayer whose case remains open in Examination to request an Appeals officer's assistance as a mediator, aiming to resolve disputed issues within about 60 days while the case stays within Examination's jurisdiction rather than being formally transferred to Appeals.

43. B — Post-Appeals Mediation, addressed in Rev. Proc. 2014-63, is available for eligible factual and legal issues that remain unresolved after good-faith settlement negotiations in Appeals have reached an impasse. A trained Appeals mediator assists both parties in reaching resolution without leaving Appeals or having to petition the U.S. Tax Court for review.

44. D — Under IRC §6213(a), a taxpayer generally has 90 days from the mailing date of a statutory notice of deficiency to file a petition with the U.S. Tax Court, extended to 150 days if the notice is addressed to a person outside the United States. Filing outside this window forfeits the pre-payment judicial forum.

45. A — Appeals officers are authorized to settle cases based on the hazards of litigation, meaning the relative probability that each side would prevail if the case were litigated, rather than resolving disputes solely on strict technical merit. This authority, described in the Internal Revenue Manual, allows Appeals to reach practical, mutually acceptable resolutions.

46. B — Audit reconsideration is an informal administrative process allowing a taxpayer to request that the IRS review a previously assessed liability, often from an examination where the taxpayer did not participate, by submitting new information or documentation. It can result in abatement of the assessment without a formal appeal or court proceeding.

47. C — A streamlined installment agreement allows individuals owing $50,000 or less in combined tax, penalties, and interest to enter an agreement without submitting a full Form 433-A or 433-F financial statement, provided the balance is paid within 72 months or before the collection statute of limitations expires, whichever comes first, under current IRS streamlined processing thresholds.

48. D — A partial payment installment agreement covers taxpayers whose payments will not fully satisfy the liability before the collection statute expires. Because the government ultimately collects less than the full amount, IRC §6159 and IRS policy require the Service to review the taxpayer's financial condition at least every two years to determine whether increased payments are warranted.

49. C — IRC §6320 grants a right to a Collection Due Process hearing after a Notice of Federal Tax Lien filing, and §6330 grants the same right after a Final Notice of Intent to Levy. In both cases, the taxpayer has 30 days from the date of the notice to submit a timely written request.

50. D — Once the 30-day CDP window lapses, a taxpayer may still request an equivalent hearing with Appeals to obtain administrative review of the collection action. However, because the equivalent hearing is not a statutory CDP hearing, the resulting determination is not subject to judicial review in Tax Court, unlike a timely CDP request.

51. B — CAP offers a faster administrative review of certain collection actions, such as liens, levies, seizures, and installment agreement rejections, but CAP decisions are final and generally cannot be appealed to Tax Court. CDP, by contrast, guarantees judicial review, making CDP the stronger procedural protection despite CAP's speed advantage for routine disputes.

52. A — IRC §6015 provides three avenues of innocent spouse relief: §6015(b) traditional relief, §6015(c) allocation of liability for divorced or separated spouses, and §6015(f) equitable relief when the other provisions do not apply. Relief addresses liability for understated tax on a joint return the requesting spouse did not know about, distinct from refund-based injured spouse relief.

53. B — In processing an injured spouse allocation, the IRS recomputes each spouse's share of the joint refund by allocating income, withholding, and refundable credits between them as though separate returns had been filed for that year. This apportionment determines how much of the offset refund the non-liable spouse may recover, rather than awarding a flat fifty-fifty split or the full amount.

54. A — Under IRC §6502, the IRS generally has 10 years from the date of assessment to collect a tax liability through levy or court proceeding. This collection period is suspended, or tolled, while an offer in compromise is pending and for 30 days after rejection, effectively extending the deadline for collection.

55. D — An offer in compromise based on effective tax administration applies when a taxpayer has the financial ability to fully pay the liability, but doing so would create an economic hardship or would be unfair given exceptional circumstances. It allows the IRS to accept less than full payment for equitable, rather than collectibility-based, reasons.

56. C — A doubt as to liability offer in compromise is appropriate when a legitimate dispute exists over whether the assessed tax is correct, such as a failure to credit payments already made. Unlike doubt as to collectibility offers, it does not require a financial statement demonstrating inability to pay the full amount.

57. B — Under IRC §6321, a federal tax lien arises automatically by operation of law once a tax is assessed, demand for payment is made, and the taxpayer fails to pay. The Notice of Federal Tax Lien filing does not create the lien itself; it merely establishes the IRS's priority against certain third-party creditors.

58. C — IRC §6325 requires the IRS to release a federal tax lien within 30 days after the underlying liability, including all penalties and interest, is fully satisfied or becomes legally unenforceable. Release extinguishes the lien's effect going forward, though it does not automatically remove the recorded notice from public records, which the taxpayer may separately request.

59. A — IRC §7345 authorizes the IRS to certify a taxpayer's seriously delinquent tax debt to the State Department once the liability exceeds an inflation-adjusted threshold, originally set at $50,000, and collection enforcement has begun. Certification can result in denial, revocation, or limitation of the taxpayer's passport until the debt is resolved.

60. D — When evaluating currently not collectible status, the IRS uses the Collection Financial Standards published for national and local necessary living expenses, based on household size and geographic location, rather than a taxpayer's actual discretionary spending. Expenses exceeding these standards are generally disallowed unless the taxpayer documents a special circumstance justifying them.

61. B — Under section 6662(b)(1), negligence includes any failure to keep adequate books and records or to properly substantiate items, and disregard means careless, reckless, or intentional disregard of rules or regulations without a reasonable basis. The penalty equals 20% of the portion of the underpayment attributable to that negligent conduct, distinct from fraud's steeper 75% rate.

62. C — Section 6662(b)(2) and (d) impose a 20% penalty when an individual's understatement of income tax exceeds the greater of 10% of the tax required to be shown on the return or $5,000. This objective, dollar-based threshold applies regardless of the taxpayer's intent, unlike negligence, and differs from the valuation-misstatement or civil fraud components.

63. D — Section 6662(e) imposes a substantial valuation misstatement penalty when the claimed value is 150% or more of the correct value and the resulting underpayment exceeds $5,000. The standard rate is 20%, rising to 40% for gross misstatements of 200% or more under section 6662(h), and is separate from the negligence and understatement components.

64. A — The civil fraud penalty under §6663 is an independent civil remedy that does not require a prior criminal conviction; the IRS need only prove fraud by clear and convincing evidence in the civil proceeding itself. A taxpayer may face civil fraud penalties even where no criminal charges were ever brought, since the two proceedings serve distinct purposes.

65. B — Section 6663(c) provides that on a joint return, the fraud penalty applies only to a spouse for whom some part of the underpayment is shown to be due to that spouse's own fraud. This innocent-spouse-style limitation ensures the non-fraudulent spouse is not automatically penalized for the other spouse's fraudulent conduct.

66. C — Section 6651(a)(1) imposes 5% of unpaid tax per month or part of a month the return remains unfiled, up to the 25% cap. The statute counts any fraction of a month as a full month, so a return filed four months and three days late is treated as five months late for penalty purposes, with no proration for partial days.

67. A — Under section 6651(c)(1), whenever the failure-to-file and failure-to-pay penalties both apply for the same month, the 5% monthly failure-to-file rate is reduced by the concurrent 0.5% failure-to-pay rate, so the combined monthly charge is 5% rather than 5.5%, preventing duplicate penalty stacking on the same unpaid tax for that month.

68. D — Section 6654 imposes a penalty on individuals who underpay quarterly estimated tax, computed in a manner similar to interest, using the applicable federal underpayment rate applied to each underpaid installment for the period it remains outstanding. Safe harbors based on prior-year or current-year tax liability can reduce or eliminate it.

69. A — Section 6655 imposes an addition to tax on corporations that fail to make timely, sufficient estimated income tax payments, computed similarly to interest on each underpaid installment using the applicable federal underpayment rate. It is the corporate counterpart to section 6654's individual estimated tax penalty, with its own safe-harbor exceptions.

70. D — Reasonable cause under Treasury Regulations exists when the taxpayer exercised ordinary business care and prudence in meeting tax obligations but was nevertheless unable to comply, such as due to unavoidable postal delay, serious illness, or destruction of records. The taxpayer bears the burden of establishing this defense with credible facts.

71. C — First-time abatement requires not only a clean three-year penalty history but also that the taxpayer has filed, or filed a valid extension for, all currently required returns, since the IRS will not grant administrative penalty relief to a taxpayer out of filing compliance. Full cash payment and a hardship showing are not eligibility conditions.

72. B — Section 6721 imposes a tiered penalty per information return, with a lower amount if corrected within 30 days, a higher amount if corrected by August 1, and the highest amount if not corrected at all, with a further increase applying for intentional disregard that also removes any statutory dollar caps.

73. C — Section 6694(a) penalizes a preparer for taking an unreasonable position, meaning one lacking substantial authority or, for disclosed positions, lacking a reasonable basis, absent adequate disclosure. The penalty is the greater of $1,000 or 50% of the income the preparer derived from preparing the return, lower than the willful-conduct penalty.

74. D — Section 6694(b) penalizes willful or reckless conduct with the greater of $5,000 or 75% of the income the preparer derived from the return, a substantially steeper penalty than section 6694(a)'s unreasonable-position standard. Any section 6694(a) penalty already imposed for the same underlying return is subtracted to avoid a double penalty.

75. B — Due-diligence regulations under §6695(g) require a preparer to retain Form 8867 and supporting worksheets for three years from the latest of the return's filing date, its due date, or the date presented to the client for signature. Falling short of this three-year period exposes the preparer to the per-failure penalty regardless of accuracy.

76. A — Section 6700 penalizes promoters not only for false statements about tax benefits but also for statements regarding the allowability of a deduction or credit that constitute a gross valuation overstatement, defined as a value exceeding 200% of the correct value. Good-faith estimates, minor variances, and voluntary pre-examination corrections do not trigger this alternative basis for the penalty.

77. C — Section 6701 penalizes any person who aids, assists, procures, or advises in the preparation of a document knowing it will be used in connection with a material tax matter and will result in an understatement, even without signing as the preparer. It reaches non-preparers such as bookkeepers and accountants who assist knowingly.

78. B — Section 7201 is a felony requiring the government to prove, beyond a reasonable doubt, an affirmative act constituting evasion or attempted evasion, an additional tax deficiency actually due and owing, and willfulness. Mere passive nonpayment or simple negligence is insufficient; there must be a deliberate act like concealment or falsification.

79. D — Section 7203 makes willful failure to file a return, pay tax, keep records, or supply information a misdemeanor, generally punishable by up to one year of imprisonment and a fine per violation. Unlike section 7201, it requires only willfulness, not an affirmative act of evasion or a specific tax deficiency.

80. A — Section 7206(1) makes it a felony to willfully make and subscribe a return, statement, or document under penalties of perjury that the signer does not believe to be true and correct as to every material matter. Unlike section 7201, no additional tax deficiency need be proven, only the false verification.

81. D — Section 7206(2) makes it a felony to willfully aid, assist, procure, or counsel the preparation of a return that is fraudulent or false as to a material matter, regardless of whether the person signed the return or whether the taxpayer knew of the falsity. No additional tax deficiency need be shown.

82. A — Section 6201(a)(4) authorizes the IRS to assess and collect, as if it were a tax, any restitution ordered under a court's sentence for a criminal tax offense, without needing a separate civil deficiency determination. This restitution-based assessment streamlines collection following conviction and is not itself proof of civil fraud liability.

83. C — A taxpayer requesting relief under section 6015 generally bears the burden of proving entitlement to relief by a preponderance of the evidence. This applies to the traditional relief, separation of liability, and equitable relief provisions, and requires the requesting spouse to show a lack of actual knowledge of the understatement or deficiency.

84. B — Section 7623(b)'s mandatory award provisions generally require the tax, penalties, and interest in dispute to exceed $2 million, and, for individual taxpayers, that the individual's gross income exceed $200,000 for a relevant year. Claims falling below these thresholds may still receive a discretionary award under §7623(a), but not the mandatory 15% to 30% tier.

85. D — Form 4868 provides an automatic six-month extension of time to file Form 1040, moving the deadline to October 15. It does not extend the time to pay; tax owed is still due by the original April deadline, and interest plus a failure-to-pay penalty accrue on any unpaid balance regardless of the extension.

86. B — Under IRC §6511, a taxpayer must file a refund claim within three years from the date the original return was filed or two years from the date the tax was paid, whichever period expires later. Because Priya filed and paid on the same date, her deadline is three years from April 15, 2023.

87. C — Form 9465, Installment Agreement Request, may be filed with a return or separately to propose monthly payments on a balance due. Attaching it to the original Form 1040 lets Devon request the arrangement immediately rather than waiting for a notice, though the IRS still reviews and may adjust the proposed terms.

88. A — When an e-filed return rejects for a duplicate dependent SSN and the taxpayer confirms the dependent claim is valid, the preparer paper-files the return, often attaching Form 8948 (Preparer Explanation for Not Filing Electronically) or a written explanation. The IRS then processes the paper return and investigates the conflicting claim.

89. A — The IRS issues a six-digit Identity Protection PIN annually to enrolled taxpayers, which must be entered in the designated IP PIN field beside the taxpayer's signature on Form 1040. Omitting it, or entering it incorrectly, causes the e-filed return to reject, since the PIN confirms the filer's identity to the IRS.

90. C — Where's My Refund and the companion IRS2Go mobile app let taxpayers track refund status using their SSN, filing status, and exact refund amount. For e-filed returns, status information is typically available within twenty-four hours of acceptance; paper-filed returns can take about four weeks before status first appears in the system.

91. D — Form 8888 allows a taxpayer to direct deposit a federal refund into up to three different accounts, including checking, savings, and IRAs. However, the IRS limits direct deposits to no more than three per financial account per tax year to combat fraud; excess requests are automatically converted to a paper check.

92. B — Individual estimated tax payments are generally due in four installments: April 15, June 15, and September 15 of the current year, with the fourth installment due January 15 of the following year. If a due date falls on a weekend or holiday, the deadline shifts to the next business day.

93. B — Form 4506-T (and its variant, Form 4506-C, used by authorized IVES participants such as lenders) requests a free transcript summarizing return line items. Form 4506, by contrast, requests an exact photocopy of the filed return itself and carries a fee. Transcripts process faster and are commonly used for income verification.

94. A — The IRS Get Transcript Online tool, accessed through a verified IRS individual online account, lets taxpayers view, print, or download most transcript types immediately after identity verification. This differs from Get Transcript by Mail or Form 4506-T requests, which take five to ten calendar days to arrive by postal mail.

95. D — A CP2000 is generated by the IRS Automated Underreporter program when income or payment data reported by employers, banks, or brokers does not match the amounts on the filed return. It is not an audit; it proposes changes, and the taxpayer may agree, partially agree, or dispute the proposal with supporting documentation.

96. C — Individuals e-filing without a paid preparer authenticate their electronic signature using either their prior-year adjusted gross income or a five-digit Self-Select PIN they create themselves. First-time filers who have no prior-year AGI on record typically must use zero as the prior-year AGI or rely on the Self-Select PIN method instead.

97. C — The ERO must retain the signed Form 8879 for three years from the return's due date or the date the IRS accepted the electronically filed return, whichever is later. The signed form is not routinely mailed to the IRS unless specifically requested, but it must remain available for inspection upon request.

98. B — When a taxpayer fails to file despite IRS notices, the IRS may prepare a substitute for return (SFR) under §6020(b), using income data from third-party information returns such as W-2s and 1099s.

An SFR typically does not include deductions or exemptions the taxpayer would otherwise claim, often resulting in a higher tax liability.

99. D — Form 1040-X amended returns generally take up to sixteen weeks to process, sometimes longer during peak filing season or if additional review is needed. Taxpayers can check status using the Where's My Amended Return tool roughly three weeks after mailing. Electronically filed amended returns for eligible years may process somewhat faster.

100. A — Form 56, Notice Concerning Fiduciary Relationship, informs the IRS that a fiduciary such as an executor, trustee, or guardian is stepping into the taxpayer's position for tax purposes. It does not authorize the fiduciary to represent the estate before the IRS; that separate authority requires Form 2848 if representation is needed.