PRACTICE EXAM 37: 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. Miriam Castellucci wants to become enrolled to practice before the IRS as an actuary specializing in employee benefit plan valuations. Which body has authority over her enrollment as an enrolled actuary?

A. The IRS Return Preparer Office
B. The Joint Board for the Enrollment of Actuaries
C. The IRS Office of Professional Responsibility
D. The American Academy of Actuaries

2. Desmond Halloway, a pension administrator, asks his firm's compliance officer whether he can still apply to become a newly enrolled retirement plan agent (ERPA) this year. What should the compliance officer tell him?

A. He may apply using Form 23 with an extra retirement-plan endorsement
B. He must first pass the enrolled actuary examination
C. He may apply only if sponsored by a Joint Board member
D. The IRS stopped accepting new ERPA enrollment applications in 2017

3. Vincent Ogunleye is completing Form 23, Application for Enrollment to Practice Before the Internal Revenue Service, after passing all three parts of the SEE. Besides submitting the completed form, what must he also do to finalize his application?

A. Pay a nonrefundable user fee
B. Submit a notarized copy of his SEE score reports for all three parts
C. Obtain a co-signature from a currently enrolled agent
D. File the form jointly with a Form W-12 PTIN application

4. Astrid Bellinger receives her initial enrollment as an EA sixteen months before the end of the current three-year enrollment cycle. How is her continuing education requirement for that first cycle determined?

A. She owes the full 72 hours regardless of when she enrolled
B. She is exempt from CE until the next full cycle begins
C. Her required hours are prorated based on the number of full months remaining in the cycle
D. She must complete 72 hours within her first twelve months only

5. Roman Kowalczyk completes an online self-study continuing education course on partnership taxation. For the hours to count as qualifying CE under Circular 230, what must the program include?

A. A live instructor present for the entire session
B. A qualifying test that the participant must pass with a minimum score
C. At least four hours of group discussion
D. Written approval from the participant's state CPA board

6. Fiona Delacourt, an enrolled agent, suffers a serious medical condition that prevents her from completing her CE hours before her renewal deadline. Under Circular 230, what relief may she request?

A. Automatic conversion to inactive retirement status with no application needed
B. A permanent exemption from all future CE requirements
C. A waiver of the CE requirement based on health, supported by appropriate documentation

D. Reassignment of her enrollment to a family member who is also enrolled

7. Anthony Kessler, an enrolled agent, is called to active military duty overseas during his renewal period and cannot complete his CE hours. What does Circular 230 provide for practitioners in his situation?

A. He may request a waiver or extension of the CE requirement due to military service
B. His enrollment automatically terminates until he returns from duty
C. He must complete double the CE hours in the following cycle
D. He is required to hire a substitute EA to maintain his enrollment

8. Naomi Strand, newly enrolled, files her first power of attorney (Form 2848) on behalf of a client. What is the purpose of the Centralized Authorization File (CAF) number she is assigned?

A. It certifies she has completed her ethics CE hours
B. It substitutes for her PTIN on all future filings
C. It confirms her passing score on the SEE
D. It tracks her authorization to receive tax information for the clients she represents

9. Julius Tanner's enrollment expired two years ago because he failed to renew on time. He has since completed all delinquent CE hours and is now applying for reinstatement. Because he is applying within three years of the expiration date, what is generally required?

A. He may be reinstated without retaking the Special Enrollment Examination
B. He must retake and pass all three parts of the Special Enrollment Examination
C. He must serve a mandatory one-year waiting period regardless of CE compliance
D. He must obtain sponsorship from two currently enrolled agents

10. Wilhelmina Escárcega completes a live continuing education seminar on ethics with a stated duration of 100 minutes of actual instruction time. How many CE credit hours does Circular 230 recognize for this session?

A. 1 credit hour, because CE is measured in 60-minute clock hours
B. 2 credit hours, because a CE contact hour is measured as 50 minutes of instruction
C. 1.5 credit hours, prorated to the nearest half-hour increment
D. 2.5 credit hours, rounding up to the next full increment

11. Corbin Fairweather, an enrolled agent, is asked how long he must retain his continuing education completion certificates in case of an IRS compliance check. What is the correct retention period?

A. One year from the date the course was completed
B. Six months after the renewal application is filed
C. Indefinitely, for the life of his enrollment
D. At least three years after the relevant enrollment cycle ends

12. Paulina Brogan wants to know which organization actually administers and proctors the Special Enrollment Examination at testing centers on behalf of the IRS. Which entity handles this role?

A. The American Institute of Certified Public Accountants
B. The National Association of Enrolled Agents
C. Prometric, under contract with the IRS
D. The Joint Board for the Enrollment of Actuaries

13. Gideon Sabatini compares his enrolled agent credential to a colleague's state CPA license. Which statement correctly distinguishes how EA status is granted?

A. Like CPAs, EAs are licensed by individual state boards of accountancy
B. EA status requires concurrent state bar admission
C. EA status is granted by a private national accrediting association
D. EA status is granted directly by the U.S. Department of the Treasury, not by any state licensing authority

14. Odette Prentiss completes a taxation course through an accredited law school's continuing education division. Does this course automatically qualify as an approved CE sponsor program under Circular 230?

A. Yes, accredited educational institutions are recognized as qualifying CE sponsors without a separate approval application
B. No, all institutions must separately apply for sponsor approval regardless of accreditation
C. No, only IRS-operated training centers may offer qualifying CE
D. Yes, but only if the course is taught by an enrolled agent

15. Florentina Vasilenko passes Part 1 of the Special Enrollment Examination in March 2024. By what date must she pass the remaining two parts to have all three passing scores count toward enrollment eligibility?

A. Within 6 months of the Part 1 passing score
B. Within 1 year of the Part 1 passing score
C. Within 2 years of the Part 1 passing score
D. There is no time limit as long as all parts are eventually passed

16. Lucille Bannerman's PTIN temporarily lapses because she forgot to renew it before the calendar year deadline, though her EA enrollment renewal is current. What is the effect on her enrollment status?

A. Her enrollment automatically expires along with her PTIN
B. Her enrollment status is unaffected, since PTIN renewal and enrollment renewal are separate processes with separate deadlines
C. Her enrollment converts automatically to inactive retirement status
D. She must retake the SEE to restore both her PTIN and enrollment

17. Roderick Sharpe, EA, represents a client at a field examination. When the revenue agent asks whether a requested substantiation letter had been mailed before the response deadline, Sharpe states that it was mailed on time even though he knows it was not prepared until after the deadline passed. Under Circular 230, this statement to the revenue agent is best characterized as:

A. Zealous representation that Circular 230 does not regulate, since the statement concerns procedure rather than substantive tax law

B. A violation only if the IRS relies on the misstatement to the client's detriment in the final determination

C. Disreputable conduct, because Sharpe knowingly gave false or misleading information directly to an IRS employee

D. Not sanctionable unless the same misstatement is later repeated in a written submission to the IRS

18. Adriana Voss-Kimura, EA, prepares a written protest letter contesting a proposed adjustment. She knows the legal argument in the letter has no non-frivolous basis but includes it anyway because the client wants to prolong the collection process. Under §10.34(b), Voss-Kimura's advice regarding this document is:

A. Prohibited — a practitioner may not advise submitting a frivolous position or a document meant to delay tax administration

B. Permitted, because the standards in §10.34 apply only to original and amended tax returns, never to protest letters or affidavits

C. Permitted, so long as the client personally reviews, signs, and submits the protest letter to the IRS

D. Prohibited only once the IRS Independent Office of Appeals formally rejects the frivolous argument on the merits

19. Bennett Okoro, EA, is drafting written advice for a client regarding an aggressive deduction. In weighing whether to recommend the position, Okoro reasons that because individual returns of this size are rarely selected for examination, the client faces little practical risk even if the position would not withstand scrutiny. Does §10.37 permit Okoro to factor this audit-selection likelihood into the written advice?

A. Yes, provided the audit-risk assessment is disclosed to the client in the engagement letter

B. No, written advice may not take into account the possibility that a return will not be audited

C. Yes, but only for positions that are already supported by at least a reasonable basis

D. No, but only when the deduction amount exceeds a specified dollar threshold set by the IRS

20. Cassandra Whitlock, a compensated tax return preparer and enrolled agent, completes a complex partnership return she is required to sign as the paid preparer. To avoid being listed as the preparer of record on a return she privately believes may draw IRS scrutiny, she deliberately leaves the paid preparer signature block blank before filing. This conduct is:

A. Not a Circular 230 matter, because signature requirements are governed solely by the Internal Revenue Code

B. Permissible, provided the return itself is otherwise accurate and complete when filed

C. A violation only if the omission causes an understatement of the reported tax liability

D. Disreputable conduct — willfully failing to sign a return she was required to sign as preparer

21. OPR completes its investigation of a practitioner and recommends disbarment. Before that sanction can actually take effect, which requirement does §10.82 impose on the Secretary of the Treasury's exercise of disbarment authority?

A. The practitioner must first be criminally convicted of an offense connected to the underlying misconduct

B. The sanction may be imposed immediately, with any hearing occurring only later on appeal

C. Disbarment may be imposed only after the practitioner is given notice and an opportunity for a proceeding under Subpart D

D. The practitioner's state licensing board must independently concur before the IRS may act at all

22. Dmitri Sorensen, EA, is approached by a longtime client who needs representation involving unreported foreign bank accounts and potential FBAR penalties, an area Sorensen has never handled. Consistent with the competence standard of §10.35, Sorensen's best course of action is to:

A. Decline the engagement outright, since a competence gap can never be cured within an existing engagement

B. Accept the engagement and rely entirely on the client's own understanding of the foreign reporting rules

C. Accept the engagement without further preparation, since general tax knowledge is presumed sufficient for any matter

D. Accept the engagement only after obtaining the requisite knowledge through study, research, or consultation with a qualified specialist

23. Elowen Pratt, EA, is contacted by a marketing firm offering to pay her for lists of her clients' names, income levels, and filing history to use in targeted advertising. Without obtaining client consent, Pratt sells the requested tax return information to the firm. This conduct constitutes:

A. A permissible business practice, since Circular 230 does not regulate the sale of practitioner-owned client lists

B. Disreputable conduct — willfully disclosing or using tax return information without proper authorization

C. A violation only if the marketing firm subsequently misuses the purchased information in some way

D. Permissible so long as the information sold excludes each client's Social Security number

24. Franklin Nakashima, EA, publishes a newspaper advertisement stating his fee for a standard Form 1040 preparation is $250. Three weeks later, a new client who saw the ad requests the advertised rate, but Nakashima refuses, insisting on a higher current rate, and the original ad contained no disclaimer about rate changes. Under §10.30, was Nakashima required to honor the advertised fee?

A. Yes, because a published fee representation must be honored for a reasonable time, at least 30 days, absent a stated disclaimer

B. No, because advertised fee representations are treated as non-binding estimates under Circular 230 at all times

C. Yes, but only if the client had paid a deposit at the time the advertisement was published

D. No, because Circular 230 generally prohibits practitioners from advertising fee information to the public

25. The IRS Commissioner establishes a panel of outside tax professionals to advise on matters affecting the tax advisory profession and to help maintain public trust in practitioners governed by Circular 230. Under §10.38, which statement about this panel is accurate?

A. Panel members must be compensated at standard federal contractor rates for their service

B. The panel replaces OPR as the body with authority to investigate practitioner misconduct

C. Only current enrolled agents may serve as members of this advisory panel

D. The Commissioner may establish such an advisory committee, and its members serve without federal compensation

26. Georgia Steinhardt, EA, recommends that a client take a return position lacking substantial authority but supported by a reasonable basis. Beyond evaluating whether the position itself is defensible, what additional duty does §10.34(c) impose on Steinhardt regarding this recommendation?

A. She must inform the client of penalties reasonably likely to apply and how adequate disclosure may avoid them

B. She must independently file the disclosure statement with the IRS on the client's behalf unprompted

C. She has no further duty once the position itself meets the applicable accuracy standard

D. She must obtain a signed waiver from the client releasing her from all penalty exposure

27. Hollis Bramwell prepares federal income tax returns for compensation and is required under the Internal Revenue Code to furnish an identifying number on each return prepared. Bramwell willfully leaves this number off every return filed during a tax season to avoid being tracked as a high-volume preparer. Under §10.51, this conduct is:

A. Not a Circular 230 matter, because identifying number requirements arise solely under §6109 of the Code

B. Permissible so long as each client's return is otherwise complete and correctly reflects their liability

C. Disreputable conduct, because willfully failing to furnish a required identifying number is an enumerated ground for discipline

D. A violation only once the omission is repeated across more than one filing season

28. During a contentious examination, Ines Radcliffe, EA, falsely tells the group manager that the assigned revenue agent improperly accessed the client's file outside official channels, hoping the accusation will get the agent removed from the case. Radcliffe knows the accusation is untrue. Under §10.51, this conduct constitutes:

A. Zealous advocacy that Circular 230 does not reach, since the statement was made to a manager, not the agent

B. Disreputable conduct — attempting to influence an IRS employee's official action through a knowingly false accusation

C. A violation only if the group manager actually reassigns the case based on the accusation

D. Permissible, provided Radcliffe later retracts the accusation in writing before the exam concludes

29. Jonah Ferriday, EA, is asked to represent both co-owners of a small business before the IRS in an examination where the co-owners' interests are not identical but are not directly adverse. Under §10.29(b), Ferriday may undertake this dual representation if:

A. Only one co-owner's consent is required, provided that co-owner holds the majority ownership interest

B. Ferriday need only obtain each co-owner's verbal consent and note it in his own file

C. Such representation is barred by law, but written consent from both co-owners overrides that bar

D. Ferriday reasonably believes competent representation of each is possible, it isn't barred by law, and each co-owner gives informed written consent

30. Keeley Fontaine, EA, assigns the depreciation schedule calculations on a client engagement to a newly hired staff accountant whom she has properly trained and actively supervises. Fontaine reviews the completed schedule and incorporates the figures into the return without independently recalculating each entry from scratch. Under §10.22(b), Fontaine's reliance on this work product is:

A. Never permissible, because the diligence standard requires the practitioner to personally recalculate every figure

B. Permissible, because a practitioner may rely on another's work product where reasonable care was used in engaging, training, and supervising that person

C. Permissible only if the staff accountant is also a licensed enrolled agent

D. Impermissible unless the client separately consents in writing to the delegation of the calculations

31. Lachlan Mbeki, EA, drafts and circulates a written memo to several colleagues at a local practitioner association, falsely and maliciously claiming that a specific IRS revenue agent regularly fabricates evidence against taxpayers, a claim Mbeki knows to be untrue. Under §10.51, circulating this written memo is:

A. Disreputable conduct — contemptuous conduct through circulating malicious or libelous matter about an IRS employee

B. Protected professional commentary, since it was shared only within a private practitioner association

C. A violation only if the named revenue agent suffers a demonstrable financial loss as a result

D. Permissible so long as Mbeki genuinely believed the claim was accurate when the memo was written

32. Prosper Kettlewell, an enrolled agent with a valid Form 2848 on file, wants to represent his client in a docketed U.S. Tax Court case rather than at the administrative Appeals level. May he do so based solely on his EA credential and the Form 2848?

A. Yes, an EA's Form 2848 authority automatically extends to Tax Court litigation

B. Yes, but only for deficiency cases under $50,000 in the small case procedure

C. No, representing a client in Tax Court requires separate admission to the Tax Court bar, regardless of EA status

D. No, only attorneys may ever represent taxpayers in Tax Court under any circumstance

33. A revenue agent explains to a taxpayer under examination that the IRS generally has a defined period to assess additional tax and a defined period to collect any resulting balance, and that the taxpayer is entitled to know when an examination is officially concluded. Which Taxpayer Bill of Rights provision does this describe?

A. The Right to Quality Service.

B. The Right to Finality.

C. The Right to a Fair and Just Tax System.

D. The Right to Pay No More Than the Correct Amount of Tax.

34. Callum Achterberg wants to authorize his wholly owned bookkeeping firm, rather than a specific named individual, to inspect and receive his confidential tax information for the current year. He is told this is permissible on one of the two IRS authorization forms but not the other. Which statement correctly describes this distinction?

A. Form 8821 permits an organization, firm, or other entity to be named as the appointee, while Form 2848 requires an eligible individual representative.

B. Form 2848 permits an organization or firm to be named as attorney-in-fact, while Form 8821 requires a natural person.

C. Neither Form 2848 nor Form 8821 permits an organization to be named as an appointee; only individuals qualify under both forms.

D. Both forms permit organizations to be named, provided the entity employs at least one enrolled practitioner on staff.

35. A statutory notice of deficiency is mailed to a taxpayer whose last known address is outside the United States on the date of mailing. How many days does the taxpayer have to file a petition with the U.S. Tax Court before the IRS may assess the deficiency?

A. 30 days from the date of mailing.

B. 60 days from the date of mailing.

C. 150 days from the date of mailing.

D. 90 days from the date of mailing.

36. Perpetua Sandoval agreed to a correspondence examination adjustment disallowing a business deduction and paid the resulting balance in full. Four months later, she locates original invoices substantiating the disallowed expense. What avenue is available to her?

A. None; once an assessment has been paid, the liability is final and cannot be revisited.

B. She may only raise the issue if she is selected for examination again in a future tax year.

C. She must file a formal written protest with Appeals within 30 days of payment to have the documentation considered.

D. She may request audit reconsideration, submitting the new documentation for IRS review, which could result in an abatement and refund if warranted.

37. On the signature page of Form 1040, a taxpayer checks the box authorizing a specific person to discuss the return with the IRS as a 'Third Party Designee.' What is the scope and duration of this authorization?

A. It grants full representation rights equivalent to Form 2848 and remains valid until the assessment statute expires.

B. It permits limited discussion of return processing and certain notices, and it automatically expires one year from the return's original due date.

C. It authorizes the designee to receive confidential transcripts indefinitely, identical in scope to Form 8821.

D. It allows the designee to sign consents extending the assessment statute of limitations on the taxpayer's behalf.

38. A Taxpayer Bill of Rights provision assures taxpayers that information they provide to the IRS generally will not be disclosed unless authorized by the taxpayer or by law, and that appropriate action may be taken against employees, tax preparers, or others who wrongfully use or disclose that information. Which right is this?

A. The Right to Confidentiality.

B. The Right to Retain Representation.

C. The Right to Privacy.

D. The Right to Be Informed.

39. Once properly executed and filed with the IRS, how long does a Form 2848 Power of Attorney generally remain in effect?

A. Exactly three years from the date of execution, after which it must be refiled regardless of circumstances.

B. Until the end of the calendar year in which it was filed, unless renewed before December 31.

C. Seven years from filing, matching the general limitations period for bad debt and worthless security claims.

D. Indefinitely, until revoked by the taxpayer, withdrawn by the representative, or the authorized matter is otherwise resolved or terminated.

40. A taxpayer files Form 1040-X claiming an additional refund based on a previously unclaimed credit. Can this amended return be selected for examination?

A. No; only original, timely filed returns are eligible for selection under IRS examination procedures.

B. No; amended returns claiming refunds are processed automatically and are statutorily exempt from examination.

C. Yes; a claim for refund made on an amended return can be selected for examination just as an original return can.

D. Yes, but only if the amended return is filed more than three years after the original return's due date.

41. During a field examination, the revenue agent encounters an issue involving an unusual or unsettled area of tax law not clearly addressed by existing guidance. What formal procedure allows the agent or the taxpayer to request written guidance from the IRS Office of Chief Counsel on that specific issue?

A. Requesting a Technical Advice Memorandum (TAM) from the IRS Office of Chief Counsel.
B. Requesting a private letter ruling addressed directly to the examining group manager.
C. Submitting a formal written protest to the Independent Office of Appeals.
D. Filing Form 870 to accelerate assessment while the legal question is researched separately.

42. A Taxpayer Bill of Rights provision requires that any IRS inquiry, examination, or enforcement action be no more intrusive than necessary, respect all due process protections, and, where applicable, provide a collection due process hearing. Which right does this describe?

A. The Right to Quality Service.
B. The Right to Finality.
C. The Right to Be Informed.
D. The Right to Privacy.

43. A Taxpayer Bill of Rights provision entitles taxpayers to a fair and impartial administrative review of most IRS decisions, including many penalties, generally conducted by a function separate from the office that made the original determination, along with a written response explaining the outcome. Which right does this describe?

A. The Right to Pay No More Than the Correct Amount of Tax.
B. The Right to a Fair and Just Tax System.
C. The Right to Appeal an IRS Decision in an Independent Forum.
D. The Right to Retain Representation.

44. On Form 2848, Part I, Line 5a lists specific acts the taxpayer may separately authorize the representative to perform. Absent an explicit authorization checked on that line, which of the following actions is a representative generally NOT permitted to take on the taxpayer's behalf?

A. Receiving and inspecting confidential tax information related to the matters and periods described on the form.

B. Signing a closing agreement that resolves the specific matters covered by the power of attorney.

C. Communicating with the IRS on the taxpayer's behalf regarding the specified matters and periods.

D. Advocating the taxpayer's position during a correspondence or in-person examination interview.

45. A Form 2848 is filed solely to authorize a representative to negotiate an installment agreement for a single outstanding balance, a matter the IRS treats as a specific-use authorization. How does the IRS typically handle this filing?

A. It is recorded on the CAF permanently and automatically applies to all future tax matters for that taxpayer.

B. It is rejected outright because specific-use authorizations are not accepted on Form 2848.

C. It is processed for that specific matter but generally is not recorded on the Centralized Authorization File (CAF).

D. It must be resubmitted quarterly for as long as the installment agreement remains active.

46. A Form 2848 names an enrolled agent to represent a taxpayer 'before the Internal Revenue Service' for the 2023 Form 1040, without any additional limiting language on the form. If the return is examined and the case is later referred to the Independent Office of Appeals, does the original authorization continue to apply?

A. No; a separate Form 2848 must be filed specifically naming the Independent Office of Appeals as the office involved.

B. No; representation before Appeals requires a distinct credential the enrolled agent must obtain after the exam concludes.

C. Only if the taxpayer personally accompanies the representative to the initial Appeals conference.

D. Yes; general authorization to represent the taxpayer before the IRS for the specified matter and period extends to Exam and Appeals unless the form limits it.

47. Marcus Delvecchio operates a landscaping business under a contract to provide grounds maintenance services to a federal agency. He owes substantial back taxes and has ignored IRS collection notices. Under the Federal Payment Levy Program, payments the government owes Marcus for his contractor services may be levied at what rate, rather than the standard rate applied to most federal payment streams?

A. 15%, the same rate applied to all federal payments
B. 100%, because federal contractor payments are excluded from the standard 15% limitation
C. 50%, the rate reserved for self-employed federal vendors
D. 30%, the maximum rate allowed under the Taxpayer Bill of Rights

48. Corinne Ashby owes $8,400 in individual income tax, has filed all required returns, and has timely paid her tax liabilities in full for each of the preceding five years. She proposes to fully pay the $8,400 balance within 36 months. Under these facts, what type of installment agreement is the IRS generally required to accept?

A. A guaranteed installment agreement, because the liability is under $10,000 and full payment occurs within three years
B. A partial payment installment agreement, because full financial disclosure and a reduced balance are required annually
C. A streamlined installment agreement, which is available only for balances exceeding $25,000 in total tax debt
D. An in-business trust fund express agreement, which is reserved exclusively for payroll tax liabilities owed by corporations

49. Tobias Wren purchased actively traded corporate securities on a national securities exchange without actual knowledge that a Notice of Federal Tax Lien had been filed against the seller. Under the superpriority provisions of §6323(b), how does the federal tax lien treat Tobias's purchase?

A. The lien does not attach, because purchasers of securities on an established market take priority over the lien
B. The lien attaches fully to the securities, because securities receive no superpriority protection under §6323(b)
C. The lien attaches only to the extent of Tobias's remaining equity interest in the purchased securities
D. The lien is subordinated automatically, but only if Tobias formally requests a certificate of non-attachment

50. Natalie Furlong satisfies the requirements for an installment agreement and requests that the IRS remove the public Notice of Federal Tax Lien even though her underlying liability remains unpaid, arguing that removal will facilitate her ability to obtain credit needed to make payments. Which lien remedy is Natalie requesting?

A. A certificate of release, which is issued only once the liability is fully satisfied
B. A certificate of discharge, which removes the lien from one specific piece of property
C. A lien withdrawal under §6323(j), which removes the public NFTL notice even though the liability remains unpaid
D. A subordination agreement, which allows another creditor to move ahead of the IRS in priority

51. Griselda Pankhurst wants to appeal the IRS's rejection of her installment agreement request. She wants the fastest possible administrative review but is willing to give up the right to later seek judicial review of the outcome. Which appeal option should she use instead of a Collection Due Process hearing?

A. File Form 12153 to request a Collection Due Process hearing
B. Petition the Tax Court directly without any prior administrative appeal
C. Request a hearing before the Independent Office of Appeals under §7430
D. Request review under the Collection Appeal Program, which is faster but not subject to judicial review

52. Genevieve Holt submits Form 656 proposing a lump-sum cash offer in compromise, payable in five or fewer installments, to resolve her outstanding liability. Aside from the required application fee, what payment must generally accompany a lump-sum offer at the time it is submitted?

A. The full proposed offer amount, paid entirely upfront before the IRS begins review
B. A nonrefundable payment equal to 20% of the offer amount
C. A nonrefundable payment equal to 50% of the offer amount
D. No initial payment, since lump-sum offers defer all payment until acceptance

53. Aaron Steckler filed a Chapter 7 bankruptcy petition and wants to know whether his income tax liability qualifies for discharge. Which combination of tests must generally be satisfied, including that the return was due at least three years before filing, was actually filed at least two years before filing, and the tax was assessed at least 240 days before filing?

A. The innocent spouse three-factor test used to allocate liability between spouses

B. The reasonable collection potential test used to value offers in compromise

C. The willfulness and responsibility test used to determine trust fund liability

D. The three-year rule, two-year rule, and 240-day rule governing dischargeability of income tax debt

54. The IRS issues a levy directly against Priscilla Duong's traditional IRA to satisfy an outstanding tax debt, and funds are withdrawn from the account to satisfy the levy. How is the 10% additional tax on early distributions under §72(t) treated with respect to this specific withdrawal?

A. It still applies in full, because retirement accounts receive no special treatment under levy

B. It is reduced to 5%, a special rate reserved for levied retirement accounts

C. It does not apply, because §72(t) exempts amounts withdrawn to satisfy a federal tax levy on the account

D. It applies only if Priscilla is under age 55 at the time of the levy

55. Baxter Lindqvist owes federal tax and the IRS determines that immediate levy is necessary because collection of the tax is in jeopardy. Under §6330(f), how does this circumstance affect the taxpayer's ordinarily required pre-levy Collection Due Process notice?

A. The IRS must still provide the pre-levy notice but may shorten the response window to only 10 days

B. The IRS may levy first and provide the hearing opportunity afterward, since jeopardy is a recognized §6330(f) exception

C. The IRS may never levy against any taxpayer without first providing a pre-levy hearing, under any circumstance

D. The IRS must obtain a federal court order before dispensing with the pre-levy notice in a jeopardy situation

56. Osric Fennleigh submits an offer in compromise while he is currently a debtor in an open Chapter 13 bankruptcy proceeding. How does the IRS handle this submission?

A. The IRS returns the offer as not processable, since an open bankruptcy proceeding controls the taxpayer's debts

B. The IRS automatically rejects the offer and Osric may appeal the rejection to Appeals

C. The IRS accepts the offer contingent on the bankruptcy court's approval

D. The IRS suspends review of the offer indefinitely until the bankruptcy closes

57. A federal tax lien arises against Emmett Voskuijlen under §6321 and, several months later, he acquires a vacation property unrelated to any asset he owned when the lien arose. How does the federal tax lien treat this newly acquired property?

A. The lien cannot reach property acquired after the lien arose, only property owned at that time

B. The lien automatically attaches to the property, because a federal tax lien reaches all property and rights to property, including after-acquired assets

C. The lien attaches only if the IRS files a new Notice of Federal Tax Lien specifically describing the new property

D. The lien attaches only if the property was purchased with income earned after the lien arose

58. The IRS serves a one-time levy on Ilsa Rademacher's bank account. The bank identifies funds on deposit that are subject to the levy. Before the bank must remit those funds to the IRS, how long must the bank generally hold the funds?

A. The bank must remit the funds immediately upon receipt of the levy notice

B. The bank must hold the funds for 10 calendar days

C. The bank must hold the funds for 30 calendar days

D. The bank must hold the funds for 21 calendar days before surrendering them to the IRS

59. Cordero Blaine's collection statute expiration date is extended due to a suspension event, pushing the original expiration date later than initially calculated. His previously filed Notice of Federal Tax Lien would otherwise self-release on the original date. What must the IRS do to preserve the lien's priority beyond that original self-release date?

A. Refile the Notice of Federal Tax Lien within the applicable refiling period so priority continues beyond the original self-release date

B. Nothing, because a self-released lien automatically reattaches once the CSED is extended by the IRS

C. Obtain a new assessment against Cordero before the lien can continue in effect

D. File a certificate of subordination to preserve priority against later competing creditors

60. Petra Anholt is the executor of an estate subject to federal estate tax. Unlike the general federal tax lien under §6321, which requires assessment before it arises, how does the special estate tax lien under §6324 arise?

A. It requires both assessment and NFTL filing before it attaches to any estate property
B. It never attaches unless the executor fails to timely file the estate tax return
C. It arises automatically at the decedent's death, without assessment or NFTL filing, attaching to the gross estate for ten years
D. It attaches only to real property, never to personal property or other assets of the estate

61. Harlan Voss claimed a noncash charitable contribution deduction for donated equipment, reporting a value later determined to be 210% of the item's correct fair market value. Under IRC §6662(h), what accuracy-related penalty rate applies to the underpayment because the claimed value meets the threshold for a gross valuation misstatement?

A. 20%, the flat rate that applies to every valuation misstatement regardless of severity
B. 25%, the standard rate applied to negligent recordkeeping errors
C. 30%, the rate reserved for substantial understatement violations
D. 40%, the enhanced rate triggered once value reaches 200% or more

62. During a civil examination, the IRS developed clear and convincing evidence that Bettina Okonjo fraudulently underreported her income by hiding cash receipts. What penalty rate applies under IRC §6663 to the portion of the underpayment attributable to fraud?

A. 20%, matching the standard accuracy-related penalty rate
B. 75%, the enhanced rate reserved for civil fraud
C. 50%, a rate reserved for gross negligence findings
D. 100%, treating the entire underpayment as forfeited

63. Lucas Pemberton owed additional tax but simply never paid it; he made no false statements, hid no assets, and took no other action beyond not writing a check. To sustain a criminal conviction for tax evasion under IRC §7201 rather than treat this as mere nonpayment, what must the government additionally prove?

A. That Pemberton filed his return one day after the deadline
B. That Pemberton disagreed with the IRS's calculation of tax owed
C. An affirmative act of evasion, such as concealment or a false statement, beyond mere nonpayment
D. That Pemberton's accountant also failed to pay the accountant's own taxes

64. Rosalyn Achebe timely filed a return correctly reporting the tax she owed but willfully refused to pay any of it, despite having sufficient funds available, and made no attempt to conceal assets or mislead a revenue officer. Which statement correctly describes her exposure under IRC §7203?

A. §7203 also criminalizes willful failure to pay, exposing her to the same misdemeanor penalties as willful failure to file
B. §7203 only covers failure to file, so no criminal exposure exists for failure to pay
C. Willful failure to pay can only ever be charged as a felony under §7201
D. Because she filed on time, §7203 cannot apply to her under any circumstance

65. As a one-time favor and without accepting any payment, Dmitri Volkonsky prepared his neighbor's Form 1040 and knowingly inserted fabricated business expenses to inflate the neighbor's refund. Because Dmitri received no compensation and is not a professional preparer, can he still be charged under IRC §7206(2)?

A. No, §7206(2) only applies to paid, professional return preparers
B. Yes, §7206(2) applies to any person who willfully aids or assists in preparing a materially false return, regardless of compensation
C. No, criminal exposure requires that the false return actually be filed and processed
D. Yes, but only if Dmitri also signed the return as paid preparer

66. Yolanda Brisbane and her husband filed a joint return; the entire refund, which included Yolanda's own withholding, was seized to satisfy her husband's child support arrears from before their marriage. Yolanda does not dispute any tax liability — she simply wants her share of the refund back. What relief is appropriate?

A. Innocent spouse relief under §6015(b), since she is not liable for the arrears
B. Equitable relief under §6015(f), based on economic hardship factors
C. Injured spouse relief via Form 8379, to allocate and recover her share of the joint refund
D. A collection due process hearing to contest the underlying child support debt

67. Sanjay Rathore, an EA, receives a client's refund check and, without proper authorization, endorses it over and deposits it into his own firm's operating account for 'convenience' before remitting funds to the client. What penalty exposure does this create?

A. A per-check penalty under §6695(f) for improperly negotiating a taxpayer's refund check
B. No penalty applies as long as the client is eventually paid in full
C. Exposure only arises if the client formally complains to the IRS
D. A penalty under §6694 for taking an unreasonable position on the return

68. Colette Fournier, though not the preparer of record, knowingly prepared workpapers she understood would be used to understate a corporate client's tax liability and forwarded them to the client's accountant. Under IRC §6701, what penalty amount applies to her conduct?

A. $1,000, the flat rate that applies to every §6701 violation
B. $5,000, the standard aiding-and-abetting rate
C. $2,500, since she is not the return preparer of record
D. $10,000, the enhanced rate because the document relates to a corporation's tax liability

69. Terrence Corvallis, a material advisor, failed to timely disclose a reportable transaction (not a listed transaction) as required. Under IRC §6707, what is the penalty for this failure?

A. The greater of $50,000 or 50% of the gross income Corvallis derived from the activity
B. A flat $10,000 regardless of income derived from the transaction
C. 25% of the client's total understatement of tax for that year
D. No penalty applies unless the transaction is later reclassified as listed

70. Priscilla Hanrahan's firm filed several information returns late but corrected every error within 30 days of the original due date. Under the tiered penalty structure of IRC §6721, which rate applies to these corrected returns?

A. The highest tier, since any lateness triggers the maximum per-return penalty

B. The lowest tier, a reduced per-return penalty reserved for corrections made within 30 days

C. The intentional-disregard tier, since the returns were originally filed late

D. No penalty applies once any correction is filed, regardless of timing

71. Emmett Kavanagh submitted detailed whistleblower information that led the IRS to assess substantial additional tax against a noncompliant business, but the business subsequently filed bankruptcy and the IRS has not collected any of the assessed amount. Can Emmett receive a whistleblower award now?

A. Yes, immediately, since assessment alone triggers the award obligation

B. Yes, but only 50% of the eventual award, with the balance paid later

C. No, because whistleblower claims are automatically forfeited once bankruptcy is filed

D. No, because §7623 awards are based on proceeds actually collected, not merely assessed

72. Odalys Ferreira, an EA, shares a client's tax return information with a colleague at her own firm solely so the colleague can help prepare that same client's return. She does not obtain a separate written consent from the client for this internal sharing. Does this violate §7216?

A. Yes, any sharing of return information without written consent is a per se violation

B. Yes, because only the original preparer may ever view a client's return information

C. No, disclosure to another preparer within the same firm for return preparation is a recognized exception

D. No, but only if the colleague is also an EA with the same credential

73. Sabine Louviere provided the IRS with a misrepresentation of a material fact that induced an erroneous refund in her favor. Several years later the IRS discovers the error and wants to sue to recover it under §7405. What limitations period applies given that the refund was induced by her misrepresentation?

A. 2 years from the date the refund was issued, with no exceptions
B. 3 years, matching the standard assessment statute of limitations
C. 5 years, because the refund was induced by fraud or misrepresentation of a material fact
D. 6 years, matching the substantial-omission assessment period

74. Anton Blackwell entered into a transaction that produced no meaningful change in his economic position apart from tax effects and served no substantial non-tax business purpose. Under the codified economic substance doctrine of IRC §7701(o), what must be shown for a transaction to be respected?

A. Both a meaningful change in economic position and a substantial non-tax business purpose
B. Either a meaningful change in economic position or a substantial non-tax purpose, but not both
C. Only that the transaction was properly documented in contemporaneous records
D. Only that a licensed professional advised the taxpayer the transaction was legal

75. Fatima Rasheed, an individual taxpayer, substantially prevailed in Tax Court litigation, and the IRS's position was not substantially justified. To qualify as a 'prevailing party' eligible for litigation cost recovery under §7430, what net worth limit must she satisfy as of the date the petition was filed?

A. No net worth limit applies to individual petitioners
B. Net worth cannot exceed $2 million
C. Net worth cannot exceed $500,000
D. Net worth cannot exceed $7 million

76. Marlin Fenwicke wants to petition the Tax Court over a $42,000 deficiency and prefers a faster, less formal process than regular Tax Court litigation. What is true about electing small tax case ('S case') procedures here?

A. Unavailable, because S case procedures only apply to amounts under $10,000
B. Available, but S case decisions may still be appealed to a Circuit Court
C. Unavailable, because S case procedures were phased out after tax reform
D. Available, since the amount in dispute is $50,000 or less, but the decision cannot be appealed

77. While preparing Nolan Bergqvist's client's current-year return, Nolan discovers the client omitted significant income on a prior-year return that Nolan did not prepare. Under Circular 230 §10.21, what is Nolan's obligation?

A. Promptly advise the client of the noncompliance, error, or omission and the consequences under the Code and regulations

B. Immediately file an amended prior-year return on the client's behalf without being asked

C. Report the omission directly to the IRS Whistleblower Office within 30 days

D. No obligation exists unless Nolan also prepared the prior-year return in question

78. Imani Osafo, an EA, prepares a return relying solely on her client's oral statements, even though the client mentioned in passing an inconsistency that would have been resolved by reviewing readily available prior-year returns Imani never looked at. Does this satisfy the diligence-as-to-accuracy standard of Circular 230 §10.22?

A. Yes, because practitioners may always rely entirely on client oral representations

B. No, because a practitioner may not ignore implications of information furnished and must make reasonable inquiries when it appears inconsistent

C. Yes, because §10.22 only governs written advice, not return preparation

D. No, because §10.22 requires independent verification of every client statement without exception

79. Thaddeus Marrone claims a refund of $40,000 on an amended return, but the IRS disallows $25,000 of the claim because it lacked a reasonable basis. No fraud is alleged. What penalty exposure applies to the disallowed portion under §6676?

A. No penalty applies because §6676 only applies to original returns, not amended returns

B. A 75% civil fraud penalty on the disallowed portion

C. A 20% penalty on the disallowed excessive amount, absent a showing of reasonable basis

D. A penalty equal to the full $40,000 claimed, regardless of the amount disallowed

80. Seraphina Locke knowingly submitted a fabricated Form 1099 along with supporting documents she knew to be false to the IRS, though the submission did not itself constitute a full income tax return.

Which criminal provision most directly addresses delivering a document known to be fraudulent or false as to a material matter?

A. §7201, felony tax evasion
B. §7203, willful failure to file
C. §7206(1), perjury on a signed return
D. §7207, delivering or disclosing a fraudulent or false document

81. Byron Ndiaye willfully failed to file an FBAR for a foreign account holding a balance well above the reporting threshold. Under 31 U.S.C. §5321, what is the maximum civil penalty exposure for a willful FBAR violation?

A. A flat $10,000 per unfiled report, regardless of account balance
B. 10% of the account balance, capped at $50,000
C. $500, the standard information-return penalty amount
D. The greater of $100,000, as adjusted, or 50% of the account balance

82. Marguerite Thackeray's business received more than $10,000 in cash from a single customer in a single transaction and failed to file Form 8300 reporting the payment within the required 15-day window. What consequence does this failure to timely file create?

A. No penalty, since Form 8300 is purely informational and not enforced
B. Automatic criminal prosecution regardless of intent
C. Exposure to information-return-type penalties under §6721, potentially enhanced for intentional disregard
D. A mandatory 50% excise tax on the unreported cash amount

83. Ezra Langford received a gift from a nonresident alien relative that exceeded the reporting threshold but failed to timely file Form 3520 disclosing the foreign gift. What penalty applies for this late filing?

A. 5% of the gift amount per month the failure continues, up to a maximum of 25%
B. A flat $10,000 regardless of the gift amount or delay

C. 25% of the gift amount per month, with no cap

D. No penalty applies to gifts, only to foreign trust distributions

84. Vivian Ashcombe claimed a tax benefit from a transaction classified as a tax shelter item and wants to assert a reasonable cause and good faith defense to avoid the accuracy-related penalty. Beyond ordinary reasonable cause, what additional showing does §6664 require for tax shelter items?

A. Only that Vivian relied on any tax return software when filing

B. That Vivian had substantial authority for the position and reasonably believed the treatment was more likely than not correct

C. Nothing additional; ordinary reasonable cause applies identically to shelter and non-shelter items

D. That Vivian voluntarily disclosed the position before any IRS contact

85. Marcus Delaney is a partner at a five-preparer tax firm. He personally prepares only 6 individual income tax returns during the year, while the firm's four other preparers each prepare 6 as well, for a firm total of 30. Under the §6011(e) e-file mandate, which preparers are required to e-file?

A. All five preparers, because the firm's aggregate return count exceeds 10

B. None, because the 10-return threshold applies separately to each individual preparer

C. Only the managing partner, since they hold ultimate compliance responsibility

D. Only the preparers who filed more than half the firm's total returns

86. A calendar-year complex trust cannot complete Form 1041 by the April 15 due date. The trustee timely files Form 7004 to request an automatic extension. How many additional months does this extension provide for the trust's return, compared to the 6-month extension available to most other calendar-year entities?

A. The same 6 months, with no distinction made for fiduciary returns

B. Only 3 months, half the standard extension period

C. 5.5 months, a half-month shorter than the standard 6-month extension

D. 7 months, a full month longer than the standard extension

87. Zenith Maritime Holdings, a foreign corporation, has no office or fixed place of business within the United States. For a calendar year, by what date must it file Form 1120-F to avoid a late-filing designation, absent an extension?

A. March 15
B. April 15
C. May 15
D. June 15

88. A lender requests documentation showing most line items from Priya Vantongeren's originally filed Form 1040, including AGI and taxable income, but the lender does not need any changes made through a later audit or amendment. Which IRS transcript type best satisfies this request?

A. Return Transcript
B. Account Transcript
C. Record of Account Transcript
D. Wage and Income Transcript

89. Grantham Iyer wants to verify that a specific estimated tax payment posted to his account and check whether any penalties or interest have been assessed, but he does not need the original line-item figures from his return. Which transcript type should he request?

A. Return Transcript
B. Wage and Income Transcript
C. Account Transcript
D. Verification of Non-filing Letter

90. A practitioner needs a client's prior-year wage and income transcript quickly and does not want the client to incur any fee. Which form should the practitioner use, and how does it differ from a request for an exact copy of the return?

A. Form 4506-T, which provides free transcripts, unlike Form 4506's fee-based exact copy

B. Form 4506-T, which requires the same fee as Form 4506 but processes faster
C. Form 4506, which is the only form that provides free transcripts
D. Form 4506-T, which can only be used by the taxpayer, never a practitioner

91. Odalys Winslet had AGI of $210,000 last year and expects a much higher tax liability this year. To avoid an underpayment penalty using the prior-year safe harbor, what percentage of last year's total tax must her timely estimated payments and withholding equal, given that her AGI exceeded $150,000?

A. 90%
B. 110%
C. 100%
D. 125%

92. Callahan Brightwater wants to begin paying his federal taxes through EFTPS instead of mailing checks. After he submits his enrollment information online, approximately how long should he expect to wait before receiving the PIN needed to activate his EFTPS account, and how is it delivered?

A. Same day, delivered instantly by email confirmation
B. 24 hours, delivered by secure text message
C. 2 to 3 business days, delivered by phone call
D. 5 to 7 business days, mailed to the address of record

93. Nadia Blackthorn has never been a victim of identity theft and has not received any IRS notice about it. She wants to add an extra layer of protection to her e-filed returns going forward. Can she still obtain an Identity Protection PIN, and if so, how?

A. No, IP PINs are issued only to confirmed identity theft victims
B. No, IP PINs require a court order establishing identity theft
C. Yes, but only through a paper Form 14039 filed after a theft occurs
D. Yes, any verified taxpayer may voluntarily opt in through an IRS online account

94. A paid preparer, without the client's consent and outside any exception permitted by regulation, discloses a client's tax return information to a third-party marketing company in exchange for a fee. What penalty exposure results under §6713?

A. A penalty applies under §6713 for the unauthorized disclosure or use of tax return information
B. No penalty applies because the client's identity, not tax data, was disclosed
C. No penalty applies unless the IRS can prove the client suffered actual financial harm
D. The penalty applies only when the disclosure is made to a foreign entity

95. Osmund Falworth is a self-employed paid preparer operating under the firm name 'Falworth Tax Solutions,' with his own PTIN. In the paid preparer section of a return he prepares, what identifying number must he enter for the firm, in addition to his personal PTIN?

A. No firm number is required if the preparer is self-employed
B. The firm's Employer Identification Number
C. Osmund's Social Security Number, since he is self-employed
D. The client's EIN, if the client is a business entity

96. Emeric Thackray transmits his client's e-filed return, and the software shows a status of 'Pending' rather than 'Accepted' or 'Rejected.' What does the Pending status indicate?

A. The return has been rejected and must be corrected before resubmission
B. The return has been fully accepted and processed by the IRS
C. The IRS has not yet finished processing the transmission and issued an acknowledgment
D. The taxpayer has not yet signed Form 8879, so transmission is on hold

97. A taxpayer wants their ERO to enter their PIN electronically to authorize e-filing Form 4868 for an automatic extension, along with an electronic funds withdrawal for the balance due. Which form authorizes the ERO to do this?

A. Form 8878
B. Form 8879

C. Form 8821
D. Form 2848

98. On her timely filed Form 1040, Odessa Kilbrannan elects to apply her entire refund overpayment to next year's estimated tax rather than receiving it as a refund. After the return is filed, can she later change her mind and request the amount be refunded instead?

A. Yes, at any time before the following April 15
B. Yes, but only within 30 days of filing
C. No, the election on a timely filed original return is generally irrevocable
D. No, but she may transfer the credit to a different taxpayer's account

99. Griffin Cazenove has a clean three-year penalty history and is current on all filing requirements. He wants to request first-time abatement for a §6662 accuracy-related penalty assessed after an audit adjustment. Does first-time abatement apply to this penalty?

A. Yes, first-time abatement applies to any penalty regardless of type
B. No, first-time abatement applies only to failure-to-file, failure-to-pay, and failure-to-deposit penalties, not accuracy-related penalties
C. Yes, but only if the accuracy-related penalty resulted from a first-time filer's error
D. No, first-time abatement was permanently discontinued for all penalty types after 2015

100. Percival Duquesne purchased rental real estate in 2015 and sold it in 2026. For how long should he retain the records establishing the property's original basis and capital improvements?

A. Three years from the original 2015 purchase date
B. Six years from the original 2015 purchase date
C. Three years from the date the 2026 return was filed
D. Until the limitations period expires for the year of the 2026 sale

Answer Key and Explanations — Practice Exam 37, Part 3: Representation, Practices, and Procedures

1. B — Enrolled actuaries are enrolled and regulated by the Joint Board for the Enrollment of Actuaries under ERISA, not the IRS Office of Professional Responsibility or Return Preparer Office. The Return Preparer Office handles PTINs and EA enrollment, OPR handles Circular 230 discipline, and the American Academy of Actuaries is a private professional association with no enrollment authority.

2. D — The IRS discontinued accepting new enrolled retirement plan agent (ERPA) applications in 2017; the program is closed to new enrollees. Existing ERPAs may continue practicing within their scope, but Desmond cannot apply now. Passing the enrolled actuary exam, Joint Board sponsorship, and a retirement-plan endorsement on Form 23 are not applicable requirements here.

3. A — In addition to filing Form 23, an enrollment applicant must pay a nonrefundable user fee to the IRS to process the application. Notarized SEE score reports, co-signatures from currently enrolled agents, and joint filing with Form W-12 are not required components of the enrollment application process outlined in Circular 230 Subpart A.

4. C — When enrollment begins partway through a three-year cycle, the CE requirement is prorated based on the full months remaining before the cycle ends, not the full 72 hours or a flat twelve-month rule. Astrid is not exempt from CE simply because she enrolled mid-cycle; her obligation scales with the time remaining.

5. B — For self-study or online CE to qualify under Circular 230, the program must include a qualifying test that the participant passes with a minimum required score, demonstrating comprehension of the material. A live instructor, mandatory group discussion hours, and state CPA board approval are not the governing requirement for self-study credit.

6. C — Circular 230 permits a practitioner to request a waiver of the CE requirement for health reasons or other extenuating circumstances, generally supported by appropriate documentation. There is no automatic conversion to inactive retirement, no permanent CE exemption, and enrollment cannot be transferred or reassigned to a family member under any circumstance.

7. A — Circular 230 allows enrolled practitioners called to active military duty to request a waiver or extension of the CE requirement rather than facing automatic termination of enrollment. Enrollment does not automatically lapse during military service, there is no doubled-hours penalty afterward, and hiring a substitute practitioner is not a recognized enrollment maintenance mechanism.

8. D — A CAF number is assigned once a practitioner files a power of attorney and is used by the IRS to track that practitioner's authorization to receive confidential tax information and represent specific clients. It does not certify CE completion, does not replace a PTIN, and has no connection to SEE scores.

9. A — A practitioner who applies for reinstatement within three years of expiration and has satisfied any delinquent CE hours may generally be reinstated without retaking the Special Enrollment

Examination. Reexamination is typically required only after enrollment has lapsed beyond three years. There is no mandatory one-year wait or sponsor requirement described here.

10. B — Circular 230 measures continuing education credit in contact hours, with one contact hour equal to 50 minutes of instruction, consistent with the standard used for enrolled agent CE reporting. Wilhelmina's 100 minutes of live instruction therefore converts to exactly 2 contact hours, not clock hours, and no separate rounding or proration applies to this even calculation.

11. D — Circular 230 requires practitioners to retain continuing education completion certificates for at least three years from the end of the enrollment cycle to which the claimed CE hours relate, in case of an IRS compliance audit. Retention periods of one year, six months, or an indefinite lifetime obligation are incorrect.

12. C — The Special Enrollment Examination is administered and proctored by Prometric under contract with the IRS at approved testing centers nationwide. The AICPA and the National Association of Enrolled Agents are professional associations with no role in exam administration, and the Joint Board for the Enrollment of Actuaries governs actuary enrollment, not the SEE.

13. D — Enrolled agent status is granted directly by the U.S. Department of the Treasury upon passing the SEE or qualifying through IRS experience, not by state licensing boards. Unlike CPAs, EAs need no state accountancy license, unlike attorneys, EAs need no bar admission, and no private accrediting association grants EA status.

14. A — Accredited educational institutions, such as colleges, universities, and law schools, are automatically recognized as qualifying CE sponsors under Circular 230 without needing to separately apply for sponsor approval. This differs from other program providers, which generally must seek approval. IRS-operated centers and enrolled-agent instructors are not required for a course to qualify as CE.

15. C — A passing score on any part of the Special Enrollment Examination remains valid for 2 years from the date that part was passed. Florentina must pass the remaining two parts within that 2-year window for all three scores to count together toward enrollment eligibility; a score that ages out before the other parts are passed no longer counts.

16. B — PTIN renewal and EA enrollment renewal are separate systems with independent deadlines and requirements. A lapsed PTIN alone does not terminate or convert enrollment status, though Lucille could not prepare returns for compensation until she renews it. Enrollment does not automatically expire, and retaking the SEE is never required here.

17. C — Section 10.51 treats knowingly, recklessly, or through gross incompetence giving false or misleading information to the Department of the Treasury or any IRS officer or employee as disreputable conduct subject to discipline. Sharpe's deliberate misstatement about the mailing date, made directly to the revenue agent, falls squarely within this prohibition regardless of whether the client separately signed anything.

18. A — Section 10.34(b) extends return-standard principles to documents, affidavits, and other papers submitted to the IRS, barring a practitioner from advising a position that is frivolous or a submission intended to delay or impede tax administration. Voss-Kimura's protest letter violates this standard on both grounds, and the rule applies to protest letters regardless of who ultimately signs them.

19. B — Section 10.37(a)(2) expressly prohibits a practitioner from basing written advice on the likelihood that a matter will not be audited or otherwise identified for examination. This audit-lottery consideration cannot factor into the analysis regardless of disclosure to the client, and it applies without regard to whether the position otherwise clears a reasonable-basis threshold. Okoro's reasoning violates this rule.

20. D — Section 10.51 identifies willfully failing to sign a return that a practitioner is required to sign as a preparer as an enumerated ground of disreputable conduct subject to discipline. This obligation is independent of whether the underlying return is accurate, and Circular 230 imposes its own conduct standards even though signature duties also arise under the Internal Revenue Code.

21. C — Section 10.82 grants the Secretary of the Treasury, or delegate, authority to disbar or suspend a practitioner from practice before the IRS, but conditions that authority on first affording the practitioner notice and an opportunity for a proceeding under Subpart D. Neither a prior criminal conviction nor state board concurrence is a prerequisite to exercising this disbarment authority.

22. D — Section 10.35 requires a practitioner to possess the competence necessary for a matter, which may be acquired through consultation with qualified experts, study of the relevant law, or other reasonable preparation before undertaking the engagement. Sorensen may accept the FBAR matter, but only after taking such steps, rather than proceeding unprepared or relying solely on the client's own knowledge.

23. B — Section 10.51 treats the willful, unauthorized disclosure or use of a client's tax return information as disreputable conduct subject to discipline. Selling client filing data to a marketing firm without consent falls entirely outside any purpose connected to preparing the return, so the violation is complete at disclosure, regardless of what the recipient later does with the data.

24. A — Section 10.30(a)(1) requires a practitioner who publishes fee information to be bound by that representation for a reasonable period, no less than 30 calendar days, unless the advertisement itself states that rates are subject to change without notice. Because three weeks had passed with no such disclaimer, Nakashima remained bound to honor the previously advertised fee for the new client.

25. D — Section 10.38 authorizes the Commissioner, or delegate, to establish advisory committees to promote and maintain public confidence in tax advisors governed by Circular 230. Committee members are not compensated by the federal government for their service, and the committee holds no independent investigative or disciplinary authority, which remains vested in OPR.

26. A — Section 10.34(c) requires a practitioner who advises a client on a return position to also inform the client of any penalties reasonably likely to apply if that position is taken, along with the opportunity to avoid those penalties through adequate disclosure and the requirements for making it. Meeting the position's own accuracy standard does not satisfy this separate advisory obligation.

27. C — Section 10.51 lists willfully failing to furnish a practitioner's required identifying number as an enumerated ground of disreputable conduct subject to discipline. Because Circular 230 imposes conduct standards independent of the Internal Revenue Code provision creating the underlying requirement, this violation exists apart from return accuracy, and a single season of willful omissions is sufficient to trigger it.

28. B — Section 10.51 bars directly or indirectly attempting to influence the official action of an IRS employee through threats, false accusations, duress, or coercion. Radcliffe's knowingly false report to the group manager, made specifically to get the agent removed, violates this standard the moment it is made — neither the outcome of the accusation nor a later retraction cures the violation.

29. D — Section 10.29(b) permits representation involving a conflicting interest only if the practitioner reasonably believes competent and diligent representation can be provided to each affected client, the representation is not otherwise prohibited by law, and each client gives informed consent confirmed in writing. Verbal-only consent, majority-interest shortcuts, and representation barred by law all fail this three-part standard.

30. B — Section 10.22(b) allows a practitioner to be presumed diligent when relying on the work product of another person, provided the practitioner exercised reasonable care in engaging, supervising, training, and evaluating that person given the nature of their working relationship. Because Fontaine properly trained and actively supervised the staff accountant, her reliance on the completed schedule satisfies this standard.

31. A — Section 10.51 defines contemptuous conduct in connection with practice before the IRS to include making false accusations and statements known to be false, or circulating or publishing malicious or libelous matter. Mbeki's knowingly false written memo about the agent falls within this prohibition regardless of the limited audience or whether the agent suffers any measurable harm as a result.

32. C — Representation before the United States Tax Court requires separate admission to the Tax Court's bar, which is distinct from IRS administrative representation authority granted by Circular 230 enrollment. An enrolled agent may become a nonattorney practitioner by passing the Tax Court's own examination, but an EA credential and Form 2848 alone do not confer Tax Court litigation authority.

33. B — The Right to Finality entitles taxpayers to know the maximum time the IRS has to audit a particular tax year and to collect a tax debt, and to know when the IRS has concluded an examination. This certainty allows taxpayers to plan their affairs and rely on defined statutory boundaries rather than indefinite exposure.

34. A — Form 8821, Tax Information Authorization, allows a taxpayer to name a corporation, firm, organization, or partnership as the appointee to receive confidential information, since it grants no representation rights. Form 2848 requires representatives to be eligible individuals — attorneys, CPAs, enrolled agents, or other qualifying practitioners — because it confers actual representation authority before the IRS.

35. C — While the standard petition period for a statutory notice of deficiency is 90 days, the period extends to 150 days when the notice is addressed to a person outside the United States. This extended window accounts for international mail delays and ensures taxpayers abroad have a reasonable opportunity to seek Tax Court review before assessment.

36. D — Audit reconsideration allows a taxpayer to request that the IRS review an examination result — even after assessment and payment — when new information or documentation not previously considered is presented. If the IRS agrees the adjustment was incorrect, it may abate the assessment and issue a refund of amounts already paid.

37. B — The Third Party Designee checkbox grants very limited authority — the designee may discuss processing of that specific return, request certain notices, and respond to some IRS inquiries. Unlike Form 2848, it does not confer representation rights or authority to sign documents, and the authorization automatically expires one year after the return's original due date.

38. A — The Right to Confidentiality assures taxpayers that their information will remain protected from unauthorized disclosure, generally usable only for the purpose for which it was provided unless the taxpayer consents or the law otherwise permits release. This right underlies penalties against wrongful disclosure by IRS personnel or return preparers who misuse confidential taxpayer data.

39. D — A validly executed Form 2848 does not carry an automatic expiration date. It remains in effect until the taxpayer revokes it, the representative withdraws, the representative becomes ineligible to practice, or the specific matters and periods it covers are fully resolved, whichever occurs first. No periodic renewal is required by default.

40. C — Amended returns are not immune from examination. When a Form 1040-X claims an additional refund, the IRS may review the claim and the underlying return, applying the same selection and examination procedures used for original filings, including requesting substantiation for the newly claimed item before allowing any part of the refund to be paid.

41. A — A Technical Advice Memorandum may be requested by either the examining agent or the taxpayer when a case presents an unusual or complex legal issue not clearly resolved by existing law or published guidance. Chief Counsel's response applies to the specific facts of the case under examination and is binding on the IRS for that matter.

42. D — The Right to Privacy requires that any IRS action be no more intrusive than necessary and respect due process protections, including search-and-seizure protections and, where applicable, a collection due process hearing. It obligates the IRS to consider the least invasive method reasonably available to accomplish a legitimate tax administration purpose.

43. C — The Right to Appeal an IRS Decision in an Independent Forum entitles taxpayers to a fair, impartial administrative appeal of most IRS determinations, and generally the right to receive a written response regarding an Appeals decision. It also preserves the taxpayer's ability to pursue judicial review in most disputes when administrative resolution is unsuccessful.

44. B — Certain acts, such as signing a closing agreement, executing a waiver of restrictions on assessment, or signing a consent to extend the assessment statute, are not automatically included within general representation authority. These acts require specific authorization checked on Line 5a of Form 2848; without it, the representative cannot perform them on the taxpayer's behalf.

45. C — Specific-use authorizations — those tied to a particular, one-time matter rather than ongoing representation, such as negotiating a single installment agreement — are generally not recorded onto the Centralized Authorization File. The IRS still honors the authorization for that specific matter, but it will not appear in CAF lookups covering the taxpayer's broader representation history.

46. D — Unless the taxpayer restricts the authorization to a particular IRS office or function, a Form 2848 covering a specified tax matter and period authorizes representation before the IRS generally — including the Examination function and, if the case proceeds there, the Independent Office of Appeals — without requiring a new power of attorney at each stage.

47. B — Federal payments to contractors doing business with the federal government are not subject to the standard 15% FPLP continuous levy limitation; the Federal Payment Levy Program permits the IRS to levy up to 100% of a payment owed to a delinquent taxpayer under a federal contract. This distinguishes contractor payments from payments like federal retirement benefits limited to 15%.

48. A — Under §6159, the IRS must accept a guaranteed installment agreement when the aggregate liability is $10,000 or less, the taxpayer has filed and paid on time for the preceding five years, agrees to full payment within three years, and agrees to comply with future filing and payment obligations. Corinne meets every requirement.

49. A — Section 6323(b)(1) grants superpriority status to purchasers of securities on an established securities market or exchange. Such purchasers take the securities free of an existing federal tax lien—even one for which an NFTL has already been filed—so long as the purchaser lacks actual knowledge or notice that the lien exists at the time of purchase.

50. C — Under §6323(j), the IRS may withdraw a filed NFTL even though the tax liability is still owed, when withdrawal will facilitate collection, the taxpayer has entered an installment agreement, withdrawal is in the government's or taxpayer's best interest, or the filing was premature. Unlike release, withdrawal does not extinguish the underlying lien.

51. D — The Collection Appeal Program offers a faster administrative review than a Collection Due Process hearing and is available for actions such as lien filings, levies, seizures, and the rejection or proposed termination of an installment agreement. Unlike CDP, however, a CAP determination is final and cannot be judicially reviewed, so taxpayers trade speed for the loss of court review.

52. B — A lump-sum cash offer, payable in five or fewer installments, requires a nonrefundable payment of 20% of the offer amount submitted with Form 656, applied to the tax liability regardless of whether the IRS accepts the offer. This differs from periodic-payment offers, which instead require the first proposed installment payment with the application.

53. D — Income tax debt may be discharged in bankruptcy only if it satisfies three timing tests: the return was due more than three years before filing, was actually filed more than two years before filing, and the tax was assessed more than 240 days before filing. Failing any test generally makes the liability nondischargeable.

54. C — Section 72(t) provides a specific exception to the 10% additional tax on early distributions for amounts an IRA or qualified plan pays directly to the IRS because of a levy on the account. This exception applies only to a genuine IRS levy against the account, not to voluntary withdrawals a taxpayer makes to pay a tax debt.

55. B — Section 6330(f) excuses the IRS from providing the standard pre-levy CDP notice in specific situations, including jeopardy, a state tax refund levy, a levy to collect a federal employment tax liability from a repeat offender, or a disqualified employment tax levy. In these cases, the taxpayer instead receives notice and a hearing opportunity after levy.

56. A — An offer in compromise submitted while the taxpayer is a debtor in an open bankruptcy proceeding is returned as not processable, rather than rejected, because bankruptcy court has jurisdiction over the debts included in that proceeding. A returned offer differs from a rejected one and does not carry the same appeal rights or collection statute suspension effects.

57. B — A federal tax lien under §6321 attaches to all property and rights to property belonging to the taxpayer, whether owned at the time of assessment or acquired afterward. This after-acquired property feature distinguishes the federal tax lien from many state law liens and means Emmett's new vacation property becomes subject to the existing lien automatically.

58. D — A levy on a bank account is a one-time levy that reaches only funds on deposit at the moment the levy is received. The bank must hold those funds for 21 calendar days, giving the account holder an opportunity to resolve the liability or raise a dispute, before remitting the funds to the IRS.

59. A — An NFTL generally self-releases at the original collection statute expiration date reflected on its face. When the CSED is later extended, the IRS must timely refile the NFTL within the applicable refiling period to prevent a lapse in priority; without a proper refiling, the lien's priority against competing creditors is not preserved beyond the original date.

60. C — The special estate tax lien under §6324 arises automatically at the decedent's date of death, without any assessment or NFTL filing, and attaches to the entire gross estate for ten years. This differs sharply from the general federal tax lien under §6321, which requires an assessment and unpaid demand before it arises.

61. D — A substantial valuation misstatement (150%-199% of correct value) draws a 20% penalty, but once the claimed value reaches 200% or more of the correct value, IRC §6662(h) reclassifies it as a gross valuation misstatement, doubling the accuracy-related penalty to 40% of the resulting underpayment, with reasonable cause relief especially limited for these items.

62. B — IRC §6663 imposes a civil fraud penalty equal to 75% of the portion of any underpayment attributable to fraud. Once the IRS meets its clear-and-convincing-evidence burden on any part of the underpayment, the taxpayer bears the burden of proving which portion, if any, is not attributable to fraud to avoid the 75% rate on that amount.

63. C — Section 7201 requires a tax deficiency, willfulness, and an affirmative act of evasion — a deliberate act such as concealing assets or making false statements — beyond simple nonpayment. Without an affirmative act, failure to pay a known liability is not evasion; it may instead trigger civil failure-to-pay penalties or, if willful, a misdemeanor charge under §7203.

64. A — IRC §7203 criminalizes willful failure to file, pay estimated tax, pay tax due, keep records, or supply information, not just failure to file. Willfully choosing not to pay a correctly reported liability, despite having the means to pay, is a misdemeanor punishable by a fine up to $25,000 ($100,000 for corporations) and/or up to one year imprisonment.

65. B — IRC §7206(2) reaches any person — compensated or not, credentialed or not — who willfully aids, assists in, procures, counsels, or advises the preparation of a return that is materially false, whether or not that falsity is with the taxpayer's knowledge. Compensation and formal preparer status are irrelevant to liability under this felony provision.

66. C — Because Yolanda disputes no tax liability, innocent spouse relief is the wrong tool — it addresses responsibility for a joint deficiency. Injured spouse relief, requested on Form 8379, applies when a joint refund is applied to a spouse's separate past-due debt like child support; it lets the non-obligated spouse recover her allocable share of the withholding and payments.

67. A — IRC §6695(f) flatly prohibits a return preparer from endorsing or otherwise negotiating a taxpayer's refund check, imposing a penalty per violation regardless of intent or whether the client is ultimately made whole. The rule exists to prevent preparers from ever gaining control over client refund proceeds, and eventual repayment to the client does not cure the violation.

68. D — IRC §6701 penalizes anyone who aids, assists, or furnishes documents knowing they will be used to understate another's tax liability, even without preparer status. The base penalty is $1,000 per document, but it rises to $10,000 when the document relates to the tax liability of a corporation, as it did here with Colette's workpapers.

69. A — For a reportable but non-listed transaction, IRC §6707 sets the material advisor penalty at the greater of $50,000 or 50% of the gross income the advisor derived from providing aid, assistance, or advice on the transaction. That percentage rises to 75% of gross income if the transaction is later determined to be a listed transaction.

70. B — IRC §6721 uses a tiered structure: a reduced, lowest per-return penalty applies when a failure is corrected within 30 days of the due date; a higher rate applies for corrections made after 30 days but before August 1; and the highest rate applies to returns still uncorrected after August 1 or never filed. Timely self-correction earns the lowest tier.

71. D — Whistleblower awards under §7623 are calculated as a percentage of proceeds the IRS actually collects as a result of the information provided, not the amount merely assessed. If the target's liability is never collected, whether due to bankruptcy, insolvency, or other reasons, no award is payable, since assessment without collection generates no 'collected proceeds' to share.

72. C — Treasury regulations under §7216 permit disclosure of tax return information among preparers within the same firm when the disclosure is for the purpose of preparing, assisting in preparing, or providing auxiliary services related to that same client's return, without requiring separate written consent for that limited internal use. Broader third-party disclosures generally still require consent.

73. C — The government generally has 2 years from the date of an erroneous refund to file suit to recover it under §7405. That period extends to 5 years, however, if the refund was induced by fraud or a misrepresentation of a material fact by the recipient, giving the IRS additional time to pursue recovery in cases involving taxpayer wrongdoing.

74. A — IRC §7701(o) codifies a conjunctive two-prong test: a transaction is treated as having economic substance only if it meaningfully changes the taxpayer's economic position, apart from federal tax effects, AND the taxpayer has a substantial non-tax purpose for entering into it. Failing either prong, as in Blackwell's transaction, means the doctrine can disregard the claimed tax benefits.

75. B — Section 7430 borrows eligibility standards from the Equal Access to Justice Act: an individual must have a net worth not exceeding $2 million as of the date the court proceeding was filed to qualify as a prevailing party for litigation and administrative cost recovery. Most businesses and certain tax-exempt organizations face a separate $7 million net worth ceiling.

76. D — Small tax case procedures under §7463 are available when the amount in dispute for any tax year does not exceed $50,000, offering a simplified, less formal process. The tradeoff is finality: decisions entered under S case procedures are not appealable by either party, unlike decisions in regular Tax Court cases, which can be appealed to the applicable Circuit Court.

77. A — Circular 230 §10.21 requires a practitioner who discovers a client's noncompliance, error, or omission on a return or other document filed with the IRS to promptly inform the client of that fact and of the consequences under the Internal Revenue Code and regulations. It does not require the practitioner to notify the IRS directly or to prepare an amendment unilaterally.

78. B — While Circular 230 §10.22 generally allows a practitioner to rely in good faith on client-furnished information without independently verifying it, that reliance is not unlimited: the practitioner may not ignore the implications of information furnished and must make reasonable inquiries when the information appears incorrect, incomplete, or inconsistent, which Imani failed to do here.

79. C — IRC §6676 imposes a penalty equal to 20% of the excessive amount claimed as a refund or credit when the claim lacks a reasonable basis, unless the disallowed portion instead relates to the earned income credit or is otherwise excepted. The penalty applies to amended returns and original returns alike and does not require any showing of fraud.

80. D — IRC §7207 is a misdemeanor provision covering the willful delivery or disclosure to the IRS of any document, such as a false Form 1099 or supporting statement, known to be fraudulent or false as to a material matter, even outside the context of a signed tax return. It carries lesser penalties than the felony perjury provision in §7206(1).

81. D — Willful FBAR violations under 31 U.S.C. §5321 carry a civil penalty of up to the greater of $100,000, as adjusted for inflation, or 50% of the balance in the unreported account at the time of the violation, assessed per violation per year. Non-willful violations instead carry a much smaller, inflation-adjusted flat penalty per unfiled report.

82. C — Form 8300, reporting cash payments over $10,000 received in a trade or business, must be filed within 15 days of the transaction. A late or unfiled Form 8300 exposes the business to information-return penalties under §6721, with substantially higher penalties, and no annual cap, if the failure is shown to be intentional disregard of the filing requirement.

83. A — Failure to timely file Form 3520 to report a foreign gift or bequest exceeding the reporting threshold results in a penalty of 5% of the gift's value for each month the failure continues, up to a maximum penalty of 25% of the gift's total value, absent a showing of reasonable cause for the delay.

84. B — For tax shelter items, §6664's reasonable cause exception imposes a heightened standard: the taxpayer must show substantial authority for the position and must have reasonably believed, based on the facts and law, that the treatment was more likely than not the correct treatment, a stricter showing than the ordinary reasonable-cause-and-good-faith standard applied to other items.

85. B — The e-file mandate under §6011(e) applies to each individual preparer who reasonably expects to file 10 or more covered individual returns, not to a firm's combined total. Since Marcus and each colleague prepared only 6 returns individually, none meets the threshold, even though the firm's aggregate count of 30 exceeds it.

86. C — Form 7004 grants calendar-year estates and trusts filing Form 1041 an automatic 5.5-month extension, moving the deadline to September 30, rather than the 6-month extension granted to corporations and partnerships. The shorter period gives beneficiaries more time to receive Schedule K-1 information before their own individual income tax returns are due each April.

87. D — A foreign corporation with no U.S. office or place of business is allowed extra time to file Form 1120-F, with a due date of the 15th day of the 6th month after its tax year ends — June 15 for a calendar-year filer. Corporations maintaining a U.S. office instead follow the normal April 15 deadline.

88. A — A Return Transcript shows most line items from the taxpayer's original Form 1040 as filed, including AGI and taxable income, but it does not reflect changes made after filing through an amendment or audit adjustment. It is available for the current tax year and the three prior processing years upon request.

89. C — An Account Transcript shows a taxpayer's account activity, including payments, penalties, interest, and adjustments made after filing, but it does not display the original return's line-item entries.

This makes it the appropriate choice when a taxpayer needs to confirm a posted payment or check assessed penalties, rather than reconstruct the return itself.

90. A — Form 4506-T is used to request several types of transcripts, such as a return or account transcript, at no charge, while Form 4506 requests an exact photocopy of a previously filed return for a fee. Practitioners with proper authorization may submit Form 4506-T on a client's behalf to obtain records quickly and free of cost.

91. B — Taxpayers whose prior-year AGI exceeded $150,000 ($75,000 if married filing separately) must pay the lesser of 90% of the current year's tax or 110% of the prior year's tax to use the safe harbor exception. Lower-income taxpayers instead use 100% of the prior year's tax as their applicable safe harbor threshold.

92. D — After enrolling in EFTPS, the taxpayer receives a PIN by mail, sent to the address of record, typically within 5 to 7 business days. This mailed-PIN safeguard exists because EFTPS enrollment cannot be completed and activated online instantly; the taxpayer must wait for the mailed PIN before making payments through the system.

93. D — The IRS allows any taxpayer who can pass identity verification to voluntarily opt into the Identity Protection PIN program through an IRS online account, even without any history of identity theft. This voluntary option expands a program that was originally limited to confirmed victims, giving more taxpayers proactive protection against fraudulent e-filed returns.

94. A — IRC §6713 imposes a penalty on a tax return preparer who discloses or uses tax return information for a purpose other than preparing the return, absent taxpayer consent or a specific regulatory exception. The penalty applies regardless of whether the client suffers measurable harm, and separate criminal penalties may apply under §7216 for willful violations.

95. B — A paid preparer's signature block requires the preparer's own PTIN, and if the preparer is self-employed or operates a firm, the firm's Employer Identification Number must also be entered in the designated field. This EIN identifies the business entity separately from the preparer's personal identifying number and is not replaced by the preparer's Social Security Number.

96. C — A Pending status simply means the IRS has received the transmission but has not yet completed processing it to issue a formal acknowledgment of acceptance or rejection. It is a temporary, in-between status, not a final determination, and the ERO should continue monitoring the return until an Accepted or Rejected status is issued.

97. A — Form 8878, IRS e-file Signature Authorization for Form 4868 or Form 2350, authorizes an ERO to enter the taxpayer's PIN when e-filing an extension request that includes an electronic funds withdrawal. Form 8879 serves the parallel function for e-filed Form 1040 returns, not extension requests, making the two forms distinct in purpose.

98. C — An election to apply an overpayment to the next year's estimated tax, made on a timely filed original return, is generally irrevocable once the return is filed. The taxpayer cannot later request that the applied amount instead be refunded, so this decision should be made carefully before the return is submitted to the IRS.

99. B — First-time abatement is an administrative waiver limited to the failure-to-file, failure-to-pay, and failure-to-deposit penalties; it does not extend to accuracy-related penalties under §6662 or other penalty types outside that limited scope. Griffin's accuracy-related penalty is therefore not eligible for first-time abatement, though he may still pursue reasonable cause relief instead.

100. D — Records establishing an asset's basis, such as purchase price and capital improvements, must be kept until the period of limitations expires for the return reporting the disposition, not merely a fixed number of years from acquisition. Since Percival sold the property in 2026, he must retain those basis records until the limitations period for the 2026 return runs out.