PRACTICE EXAM 38: 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. Lydia Thornbury volunteers at a VITA site preparing returns for low-income taxpayers without receiving any compensation. Which statement correctly describes her PTIN obligation?

A. She must obtain a PTIN because she prepares substantially all of a return regardless of pay.
B. She must obtain a PTIN but may use it only during the VITA filing season.
C. She is not required to obtain a PTIN because she is not compensated for preparing the returns.
D. She must obtain a PTIN and complete the AFSP as a condition of volunteering.

2. Callum Bryce fails Part 2 of the Special Enrollment Examination on his first attempt. Under Prometric's testing rules, how many total attempts is he permitted within a single testing window (May 1 through the end of February)?

A. Two attempts per testing window, with a 30-day wait between attempts.
B. Three attempts per testing window, with a 15-day wait between attempts.
C. Unlimited attempts, provided each retake is scheduled at least one week apart.
D. Four attempts per testing window, with a 24-hour wait between attempts.

3. Circular 230 (31 CFR Part 10) is organized into several subparts. Which subpart specifically sets out the sanctions the IRS may impose for violating the regulations?

A. Subpart A, General Provisions governing practitioner definitions.
B. Subpart C, Sanctions for Violation of the Regulations.
C. Subpart D, Rules Applicable to Disciplinary Proceedings only.
D. Subpart B, Duties and Restrictions Relating to Practice.

4. Enrolled agent Felicity Duncan prepares and personally teaches a qualifying continuing education course on partnership taxation to other practitioners. Regarding CE credit for this activity, which statement is correct?

A. She may earn CE credit for both preparing and presenting the qualifying program, subject to IRS limits.
B. Only the preparation time counts toward CE; presentation time earns no credit.
C. Instructors may never earn CE credit for teaching; only attendees receive credit.
D. She may earn credit only if a separate, unrelated instructor also co-teaches the course.

5. As part of reviewing an application for enrollment, the IRS's suitability check includes verifying which of the following about the applicant personally?

A. That the applicant has filed all required personal tax returns and resolved any outstanding federal tax debt.
B. That the applicant has never worked as a bookkeeper for a small business.
C. That the applicant holds a bachelor's degree in accounting or a related field.
D. That the applicant has at least five years of prior tax preparation experience.

6. How long does an enrolled agent's enrollment remain valid before renewal is required, absent any suspension or revocation?

A. One year, renewed annually along with the PTIN.
B. Three years, corresponding to the standard enrollment cycle.

C. Two years, aligned with the CE reporting period.
D. Five years, matching the SEE score validity window.

7. The Special Enrollment Examination is divided into three parts. Which part primarily tests representation, practices, and procedures, including Circular 230 ethics?

A. Ethics is tested equally across all parts.
B. Part 1, covering individual taxation exclusively.
C. Part 2, covering business entity taxation exclusively.
D. Part 3, covering representation, practices, and procedures.

8. Marcelo Higgins obtains a valid PTIN and begins preparing returns for compensation. He believes this PTIN alone authorizes him to represent clients before the IRS in an examination. Is he correct?

A. Yes, a PTIN automatically confers full representation rights before the IRS.
B. Yes, but only for examinations of returns he personally prepared and signed.
C. No, a PTIN only permits compensated return preparation, not representation before the IRS.
D. No, because only attorneys may represent clients regardless of PTIN status.

9. Preparer Estelle Dunmore, who is not exempt from the AFTR requirement, wants to earn an Annual Filing Season Program Record of Completion. How many total continuing education hours must she complete for the current filing season?

A. 15 hours, consisting entirely of general federal tax law topics.
B. 24 hours, including 12 hours of federal tax law and 12 hours of ethics.
C. 18 hours, including a 6-hour AFTR course with test, 10 hours of federal tax law, and 2 hours of ethics.
D. 30 hours, mirroring the enrolled agent three-year total divided annually.

10. Within the IRS's practitioner regulatory framework, which office is primarily responsible for investigating practitioner misconduct and enforcing Circular 230's standards of conduct?

A. The Return Preparer Office, which issues PTINs and processes enrollment applications.
B. The Large Business and International Division, which examines corporate taxpayers.
C. The Taxpayer Advocate Service, which resolves individual taxpayer hardship cases.
D. The Office of Professional Responsibility, which enforces Circular 230 conduct standards.

11. Enrolled agent Deborah Ashwood wants to know whether her Circular 230 authorization allows her to represent a client in a state income tax audit conducted by a state department of revenue.

A. No, Circular 230 governs only practice before the IRS on federal tax matters.
B. Yes, but only in states that have formally adopted Circular 230 by reference.
C. No, because state representation always requires a separate state-issued license only.
D. Yes, because enrollment automatically extends to all state tax matters nationwide.

12. Enrolled agent Warren Lassiter completes an 8-hour continuing legal education course covering only his state's sales and use tax law. Does this course satisfy any portion of his federal CE requirement?

A. Yes, all 8 hours count because the course was taught by an accredited provider.
B. No, because qualifying CE hours must relate to federal taxation, not state-only topics.
C. Yes, but only 4 of the 8 hours count toward the requirement.
D. No, because continuing legal education courses never qualify for enrolled agents.

13. Which statement correctly reflects the current status of the 'Registered Tax Return Preparer' category once referenced in connection with Circular 230?

A. It remains a mandatory credential required of all compensated, non-credentialed preparers today.
B. It was invalidated by court decision and replaced by the voluntary Annual Filing Season Program.
C. It was replaced by the enrolled agent credential as the sole non-attorney/CPA option.
D. It was renamed but continues to require a mandatory competency examination annually.

14. Applicant Marina Colfax applies to renew her PTIN, but IRS records show she has an unresolved federal tax delinquency. Which statement is correct regarding this situation?

A. PTIN issuance and renewal are also subject to a personal tax compliance check, separate from EA enrollment suitability.

B. PTIN applications are never subject to any tax compliance review, only enrollment applications are reviewed.

C. Her PTIN will be issued automatically because PTIN and enrollment suitability standards are legally identical.

D. Only attorneys and CPAs face tax compliance checks when applying for a PTIN.

15. Which statement correctly distinguishes an enrolled agent's enrollment expiring for failure to timely renew from a suspension imposed through a disciplinary proceeding?

A. Both outcomes require a full OPR disciplinary hearing before taking effect.

B. Both are treated identically as sanctions and reported the same way to the public.

C. Expiration is an administrative lapse for non-renewal, while suspension results from a Circular 230 disciplinary action.

D. Expiration can only occur after a suspension has first been imposed and served.

16. Under the general framework of Circular 230, what authorizes the IRS to charge a user fee for processing an application for enrollment?

A. State licensing boards, which set enrollment fees identical to CPA licensing fees.

B. The SEE testing vendor, which independently sets and collects all enrollment fees.

C. Voluntary donations from professional associations that fund the enrollment program.

D. Federal law permitting user fees for services such as processing enrollment applications.

17. Harriet Osgood, an enrolled agent, previously worked for the IRS as a revenue agent. She personally and substantially participated in an audit of a specific taxpayer's return while employed there. Two years after leaving the IRS, that same taxpayer asks Harriet to represent them before the IRS regarding that identical audited matter. Under §10.25, may Harriet accept this representation?

A. Yes, because more than one year has passed since she left government service entirely

B. Yes, because former revenue agents face no post-employment representation restrictions at all

C. No, but only because two years have not yet passed since she left the IRS

D. No, because §10.25 permanently bars representation on a matter she personally worked on

18. Enrolled agent Priya Delacombe obtains proper informed written consent from two clients with conflicting interests before jointly representing them under §10.29(b). After the representation concludes, what does §10.29(c) require her to do with that consent documentation?

A. Destroy the consent documents immediately once the representation formally concludes

B. File the consent documents with the IRS Office of Professional Responsibility within 30 days

C. Retain a copy of the written consent for at least 36 months after the representation concludes

D. Retain the consent documents permanently for as long as she remains an enrolled agent

19. Enrolled agent Wilhelmina Trask determines that representing two clients in the same matter creates a conflict of interest but believes she can provide competent representation to both, and each client consents. Under §10.29(b), what must Wilhelmina do to properly proceed with the joint representation?

A. Obtain only a single verbal confirmation from whichever client retained her services first

B. Obtain each client's informed consent in writing and retain it for thirty-six months

C. Notify the IRS Office of Professional Responsibility before beginning any joint representation at all

D. Obtain written consent from just one client since both share the identical tax matter

20. Under §10.35, which of the following correctly states how a practitioner may satisfy the required standard of competence when handling a federal tax matter?

A. By possessing the necessary knowledge, skill, and preparation, or by consulting qualified others, or by declining

B. By completing at least forty hours of continuing education in the specific subject matter each year

C. By obtaining written pre-approval from the IRS before accepting any complex or unfamiliar tax matter

D. By carrying professional liability insurance sufficient to cover any errors made in the engagement

21. Enrolled agent Roderick Vandermeer runs a radio advertisement stating that, because of his personal connections within the IRS, clients who hire him receive more favorable treatment on their audits than clients represented by other practitioners. Under §10.30, what is the problem with this advertisement?

A. Nothing; practitioners may truthfully describe any competitive advantage that benefits prospective clients

B. The advertisement is fine, provided he can later prove his track record with the IRS is accurate

C. It is false or misleading because it implies he can obtain results through special IRS influence

D. The only problem is the use of radio media, since Circular 230 permits only print advertising

22. Enrolled agent Petra Lindqvist is a notary public. She wants to notarize a power of attorney form that her own client will use to authorize her own representation before the IRS in the same matter. Under §10.26, may Petra notarize this document?

A. Yes, as long as she discloses her dual role to the client beforehand in writing

B. No, a notary-practitioner may not notarize documents in a matter where she is retained

C. Yes, because Circular 230's notary restriction applies only to unenrolled return preparers, not EAs

D. No, but solely because her state notary commission does not extend to federal matters

23. Enrolled agent Rufus Chamberlain places advertisements describing himself as 'government-certified' and implying he has a special working relationship with the IRS that gives his clients preferential treatment. Under §10.30, is this advertising permissible?

A. No, an EA may not advertise in a way implying a special IRS relationship or preferential treatment

B. Yes, because any credential earned through an IRS-administered exam may be marketed without restriction

C. No, but solely because Rufus omitted his enrollment number from the advertisement's fine print

D. Yes, as long as the advertisement runs in print media instead of by direct mail

24. Enrolled agent Isabeau Rennick is preparing an affidavit, not a tax return, for submission to the IRS on a client's behalf. The position taken has no reasonable basis and is frivolous. Does §10.34 restrict Isabeau's conduct here, even though the document is not a tax return?

A. No, §10.34 applies exclusively to original and amended tax returns, never to other documents

B. No, because affidavits submitted to the IRS fall entirely outside Circular 230's coverage

C. Yes, but only if the affidavit later becomes an exhibit attached to a filed return

D. Yes, §10.34(b) also bars a frivolous or unreasonable position in any document submitted to the IRS

25. Under §10.6, which of the following correctly describes the continuing education requirements an enrolled agent must satisfy to renew enrollment?

A. A flat one hundred hours, completed entirely within the final year before renewal

B. Seventy-two hours across the three-year cycle, including sixteen hours yearly with two in ethics

C. Fifty total hours, with no annual minimum and no dedicated ethics hour requirement

D. Thirty hours annually, with no cumulative three-year total ever tracked by the IRS

26. Enrolled agent Bartholomew Callowhill wants to represent a client in a case that has already been petitioned to the United States Tax Court. Does Circular 230 authorize this representation as 'practice before the Internal Revenue Service'?

A. Yes, because Circular 230 governs practice before the Tax Court in exactly the same way as before the IRS

B. Yes, but only after the enrolled agent first obtains a limited special appearance authorization from OPR

C. No, because enrolled agents may never appear on a client's behalf once a case reaches the Tax Court

D. No, because Circular 230's definition of practice before the IRS excludes representation before federal courts

27. Under §10.68, which statement correctly describes the decisional independence of the Administrative Law Judge who presides over a Circular 230 disciplinary hearing?

A. The ALJ must obtain approval from OPR's assigned attorney before issuing any ruling or decision

B. The ALJ reports directly to the practitioner's employer for guidance on all evidentiary matters

C. The ALJ decides the case independently, free from supervision or direction by OPR or IRS Counsel

D. The ALJ's decisions require co-signature from the IRS Commissioner before taking legal effect

28. The state board of accountancy revokes CPA Reginald Thistlewood's license for cause, and he is also an enrolled agent. Rather than filing a standard complaint and awaiting a full disciplinary hearing, OPR wants to suspend Reginald from IRS practice quickly based on this triggering event. Which provision authorizes this faster process?

A. §10.82, which authorizes expedited suspension through a show-cause order for specified triggering events

B. §10.60, which requires OPR to file a standard complaint before any suspension may occur

C. §10.51, which lists disreputable conduct but provides no expedited procedural mechanism whatsoever

D. §10.36, which governs a firm's internal procedures for ensuring overall compliance obligations

29. Under §10.24, which of the following tasks may a practitioner permissibly delegate to a person currently under suspension from practice before the IRS?

A. Signing correspondence to the IRS on the client's behalf during the suspension period

B. Attending a client conference with the IRS and answering substantive questions about the case

C. Performing purely clerical tasks such as typing, filing, or delivering documents with no client contact

D. Reviewing a client's return for substantive accuracy before it is filed with the IRS

30. Enrolled agent Fitzgerald Amara drafts and signs a formal legal opinion letter for a client regarding contract enforceability in a business dispute unrelated to any tax matter. Does §10.32 authorize this activity for an enrolled agent?

A. Yes, because Circular 230 grants enrolled agents general legal-practice authority nationwide once enrolled

B. No, §10.32 does not authorize a non-attorney practitioner to engage in the practice of law

C. Yes, provided the client separately consents in writing to receive the legal opinion

D. No, but solely because Fitzgerald failed to hold a current state law license

31. Enrolled agent Persimmon Wakefield-Doyle completes fifteen hours of tax law coursework from a provider that has never obtained IRS approval as a qualifying continuing education sponsor. Under §10.9, do these hours count toward her renewal requirement?

A. Yes, because §10.9 imposes no approval requirement on continuing education providers whatsoever

B. Yes, provided the course content itself covers substantive federal tax law topics

C. No, but only because fifteen hours falls short of the required annual minimum

D. No, §10.9 requires continuing education credit to come from an IRS-approved qualifying sponsor

32. Owen Tavistock mails a completed Form 2848 to the IRS naming his enrolled agent as representative for his 2024 Form 1040, but he leaves the taxpayer identification number field blank in Part I. What will the IRS do with this power of attorney?

A. Reject the form as incomplete, since a valid taxpayer identification number is required in Part I for processing

B. Process the form normally, since the CAF unit can identify the account using only the taxpayer's name and address

C. Forward the incomplete form to Appeals for a ruling on whether the omission is material to the authorization

D. Substitute the representative's own enrolled agent number for the missing taxpayer identification number field automatically

33. Isabella Cross previously authorized an enrolled agent to represent her regarding her 2022 Form 1040 examination. She now wants to add a CPA as a second, independent representative for the same matter without revoking the enrolled agent's existing authority. What must Isabella do on the new Form 2848 to accomplish this?

A. List only the CPA's name in Part I, since Form 2848 automatically preserves all prior valid authorizations by default

B. Check the box on line 6 to retain the prior authorization and attach a copy of the earlier Form 2848

C. File Form 8821 for the CPA instead, since Form 8821 automatically supplements an existing Form 2848

D. Have the enrolled agent countersign the new form, which formally consolidates both representatives under one authorization number

34. Unlike Form 2848, Power of Attorney and Declaration of Representative, which requires the appointed representative to be a named individual eligible to practice before the IRS, Form 8821, Tax Information Authorization, permits the taxpayer to designate which of the following as an appointee?

A. A corporation, firm, partnership, organization, or individual, because Form 8821 conveys no right to represent the taxpayer before the IRS
B. Only a corporation or partnership, because individuals must instead be listed exclusively through a separately filed Form 2848
C. Only an enrolled agent, attorney, or certified public accountant, mirroring the eligibility requirements found on Form 2848
D. Any federal agency employee, provided the taxpayer's return is simultaneously under examination by that same agency

35. Simone Okafor's return is selected for a correspondence examination regarding a claimed education credit. When the IRS requests supporting records, Simone's documentation is extensive, poorly organized, and difficult to evaluate by mail. What will the IRS most likely do in this situation?

A. Immediately disallow the credit in full, since correspondence examinations cannot accept voluminous or complex documentation of any kind
B. Refer the matter directly to the Independent Office of Appeals, bypassing any further examination-level review of the records
C. Convert the case to an office or field examination so the records can be reviewed in a face-to-face setting
D. Suspend the examination indefinitely until Simone submits a certified public accountant's written summary of the records

36. Whitney Alvarado and her husband filed a joint Form 1040 now under examination. The revenue agent proposes a deficiency attributable entirely to unreported income her husband received and concealed from her. Whitney had no knowledge or reason to know of the unreported income. What relief may Whitney pursue during the examination?

A. She may request a separate examination be opened solely against her husband, ending her involvement in the current case entirely

B. She may ask the revenue agent to informally reduce her share of the deficiency without filing any additional form

C. She may request that Appeals reallocate the entire deficiency to her husband based on a verbal agreement between the spouses

D. She may file Form 8857 to request innocent spouse relief from joint and several liability under IRC section 6015

37. Which of the Taxpayer Bill of Rights provisions guarantees that a taxpayer may raise objections and provide additional documentation in response to a proposed IRS action, and expect the IRS to consider the objections timely and fairly and to provide a response if it disagrees?

A. The Right to a Fair and Just Tax System

B. The Right to Appeal an IRS Decision in an Independent Forum

C. The Right to Challenge the IRS's Position and Be Heard

D. The Right to Finality

38. Dorian Wexbury needs his enrolled agent to represent him on Form 1040 examinations for six different tax years, more than the space provided on Form 2848, line 3, can accommodate. What is the correct way to list all six years on the form?

A. Write "See attached list" on line 3 and attach a separate schedule identifying each tax matter and year covered

B. List only the three most recent years, since Form 2848 cannot authorize representation for more than three years at once

C. File a separate Form 2848 for each individual tax year, since only one year may ever appear on a single form

D. Leave line 3 blank and rely on the enrolled agent's CAF number to establish which years are covered

39. Revenue agent Miles Chatterjee is conducting a field examination of Felicity Marsh's Schedule C for the current tax year. While reviewing her records, he discovers evidence that the same unreported cash receipts pattern likely occurred in the two immediately preceding tax years as well. What may the revenue agent do?

A. Nothing further, because a field examination can never be expanded once the original tax year has been formally opened

B. Expand the examination to include the two preceding years after obtaining the appropriate internal approval to open those returns

C. Refer the two preceding years directly to Criminal Investigation without any additional internal approval or documentation

D. Automatically assess additional tax for the preceding years based solely on the current year's audit findings

40. Gregory Voss signed a closing agreement with the IRS finalizing his tax liability for a prior year. Two years later, the IRS discovers that Gregory fraudulently concealed a substantial amount of offshore income for that same year. May the IRS reopen the matter despite the closing agreement?

A. No, a closing agreement under IRC section 7121 may never be reopened for any reason once both parties have signed it

B. No, the IRS may only reopen the matter with Gregory's written consent, regardless of any fraud that may have occurred

C. Yes, but only if the Taxpayer Advocate Service first approves reopening the previously closed and finalized matter

D. Yes, a closing agreement may be set aside upon a showing of fraud, malfeasance, or misrepresentation of a material fact

41. Theodore Blackwell files a Form 2848 naming his CPA as representative and listing the CPA's office address in Part II. The CPA begins receiving copies of all IRS notices concerning Theodore's examination at that office address. What effect does this have on Theodore's own address of record with the IRS?

A. Theodore's address of record automatically updates to match his CPA's office address once the Form 2848 is processed

B. Theodore's address of record is suspended entirely until the examination concludes and a new address is separately provided

C. Theodore's address of record is updated only for correspondence examinations, but remains unchanged for office or field examinations

D. Theodore's address of record is unchanged, since Form 2848 authorizes notice copies but does not itself change that address

42. Natalia Pemberton lists four separate appointees on a single Form 8821 to receive her confidential tax information regarding an ongoing examination, without checking any box limiting how copies of notices are distributed. Consistent with IRS processing of Form 8821, what will generally happen regarding copies of IRS notices?

A. The IRS will automatically send copies of notices to no more than the first two named appointees listed on the form

B. The IRS will send copies of notices to all four appointees simultaneously, regardless of how many names are listed

C. The IRS will reject the Form 8821 outright, since more than one appointee can never be named on a single form

D. The IRS will send copies only to the appointee whose name appears last on the list of four names

43. Desmond Talley is selected for an office examination but has a documented mobility impairment that makes travel to the IRS office extremely difficult. He asks whether the interview portion of the examination can be handled without an in-person office visit. How may the IRS reasonably accommodate this situation?

A. The IRS has no authority to alter the examination format and Desmond must attend the office interview as originally scheduled

B. The IRS will automatically close the examination with no change, since an in-person interview cannot legally be waived or replaced

C. The IRS may conduct the interview by telephone or correspondence instead, given Desmond's documented circumstances and reasonable request

D. The IRS will transfer the entire examination to the Taxpayer Advocate Service, which will independently resolve the underlying tax issue

44. Before assessing an accuracy-related penalty against Priscilla Doyle following the close of her examination, what must the examiner generally obtain, absent a specific statutory exception?

A. A signed waiver from Priscilla agreeing in advance that no penalty defenses will later be raised before Appeals

B. Written approval of the penalty from the examiner's immediate supervisor, as required under IRC section 6751(b)

C. A separate summons compelling Priscilla's representative to certify that the penalty calculation is mathematically accurate

D. Concurrence from the Taxpayer Advocate Service confirming that the penalty amount does not create undue hardship

45. Ezra Caldwell, age 16, earned self-employment income requiring a tax return, and his examination now requires representation before the IRS. Ezra's mother, Renee Caldwell, wants to execute Form 2848 on his behalf as his parent. Is this generally permitted?

A. No, a minor's tax matters can never be represented under Form 2848 until the minor reaches the age of majority

B. Yes, a parent may generally sign Form 2848 on behalf of a minor child in the capacity of natural guardian

C. No, only a court-appointed legal guardian, never a parent, may ever sign Form 2848 for a minor taxpayer

D. Yes, but only if the minor also separately co-signs the same Form 2848 alongside the parent's own signature

46. Marlon Petrakis's individual income tax return is selected for examination, but not through the IRS's Discriminant Information Function scoring system. Instead, the examination originates from information supplied by a third party under the IRS whistleblower program. Under which authority does this type of referral generally arise?

A. IRC section 6103, which governs the general confidentiality and permitted disclosure of taxpayer return information

B. IRC section 7602, which grants the IRS authority to summon books, records, and testimony during an examination

C. IRC section 6751, which requires written supervisory approval before certain penalties may be assessed against a taxpayer

D. IRC section 7623, which authorizes the IRS to pay awards to informants whose information leads to detected tax underpayments

47. Priya Malhotra, the controller of a corporation, is assessed a trust fund recovery penalty for unpaid employment taxes. For what amount is she personally liable?

A. The corporation's entire employment tax liability, including the employer's matching share of FICA

B. Only the corporation's unpaid federal unemployment tax (FUTA) liability for the tax period

C. The trust fund portion only: withheld income tax and the employee's share of FICA

D. The corporation's full liability including all penalties, interest, and employer FICA contributions owed

48. Marcus Feldman owes $22,000 and enters into a Direct Debit Installment Agreement to fully pay the balance within the required time frame. Under the IRS Fresh Start initiative, what benefit is specifically tied to using direct debit for a balance in this range?

A. The IRS generally will not file a Notice of Federal Tax Lien while the DDIA remains current

B. The balance is automatically reduced by 20 percent once the direct debit agreement begins

C. Marcus becomes eligible for immediate lien withdrawal regardless of whether the lien was filed

D. The IRS waives all accrued interest for the remaining life of the installment agreement

49. When a taxpayer timely requests a Collection Due Process hearing under IRC 6330, what happens to the collection statute of limitations while the hearing and any resulting Tax Court appeal remain pending?

A. The statute continues to run without interruption throughout the entire CDP process

B. The statute is permanently reset, starting a brand new ten-year collection period

C. The statute is suspended for the pending period, plus 90 days if less remains

D. The statute is suspended only if the taxpayer ultimately loses the CDP case

50. Douglas Kinsey owns a small retail business and employs Priya Anand, whose wages are subject to a valid IRS levy. Kinsey ignores the levy notice and continues paying Priya her full wages without withholding anything for the IRS.

A. Kinsey faces no consequence because complying with a wage levy is always optional

B. Kinsey becomes personally liable for the amount not surrendered, plus a 50 percent penalty
C. Kinsey is exempt from liability whenever the employee formally objects to the levy
D. Kinsey must forward only future wages, with no liability for amounts already paid

51. Priscilla Nkemdirim's offer in compromise is accepted in 2026. What happens to any federal income tax refund she is otherwise due for the tax year in which the offer is accepted?

A. The refund is issued to her in full, exactly as if no offer existed
B. The refund is automatically applied toward her next year's estimated tax payments only
C. The refund is issued but treated as taxable income on her following year's return
D. The IRS retains the refund and applies it to the compromised tax liability instead

52. Under IRC 6323(c), certain security interests — such as a commercial financing agreement or a real property construction loan — that arise after a Notice of Federal Tax Lien is filed may still gain priority over the tax lien if perfected within what period?

A. Within 45 days after the Notice of Federal Tax Lien filing
B. Within 10 calendar days after the Notice of Federal Tax Lien filing
C. Within six months after the Notice of Federal Tax Lien filing
D. Within one full year after the Notice of Federal Tax Lien filing

53. Odell Prescott owes $9,000 in individual income tax, has no defaulted installment agreements in the past five years, and can pay the balance within three years. Which agreement is he entitled to as a matter of statutory right rather than IRS discretion?

A. A guaranteed installment agreement, since the balance is $10,000 or less and conditions are met
B. A partial payment installment agreement requiring a full Collection Information Statement financial disclosure
C. A streamlined agreement, available strictly at IRS discretion regardless of the balance owed
D. A traditional agreement requiring complete financial verification before the IRS grants any approval

54. Isabella Marchetti, a bookkeeper with signature authority over company funds, chose to pay vendors instead of forwarding withheld payroll taxes to the IRS. In addition to establishing that she was a responsible person, what must the IRS also prove to assess a trust fund recovery penalty against her?

A. Intentional fraud carried out with a specific purpose of evading the federal tax law

B. Willfulness: a voluntary, conscious decision to favor other creditors despite known unpaid taxes

C. Ordinary negligence alone, regardless of whether she was aware of the unpaid liability

D. A prior criminal conviction connected specifically to formal federal tax evasion charges

55. After the ten-year collection statute of limitations has already expired, the IRS mistakenly continues levying Rosalind Umeh's bank account for the same balance. What recourse does she have?

A. None; once a levy is executed the IRS may retain the funds permanently

B. She may only request penalty abatement, not the return of the levied funds

C. The IRS may keep any amount collected that is under $500 without any refund

D. She may claim a refund, since the IRS lacks authority to collect after the CSED expires

56. Where must the IRS file a Notice of Federal Tax Lien for it to be effective against a taxpayer's personal property, under IRC 6323(f)?

A. Only in the county where the taxpayer's real property happens to be located

B. With the appropriate United States district court, regardless of any state filing law

C. In the location designated by state law, typically where the taxpayer resides

D. Nowhere; the lien is automatically valid against third parties without any filing at all

57. While Adaora Chukwuemeka's Chapter 7 bankruptcy case is pending, the automatic stay generally halts IRS collection activity. Which action does the IRS remain permitted to take despite the stay?

A. Filing a brand new Notice of Federal Tax Lien against her property

B. Issuing a wage levy to collect the pre-petition tax liability

C. Conducting an examination and issuing a notice of deficiency for the liability

D. Offsetting a tax refund against her pre-petition outstanding balance

58. Percival Adebayo is asked by a revenue officer to sign Form 900, extending the collection statute in connection with a proposed installment agreement. Under current law, when may a taxpayer voluntarily extend the CSED by written agreement?

A. At any time and for any reason, entirely at the IRS's unilateral discretion
B. Only in connection with an installment agreement, executed before the CSED expires
C. Only after the ten-year collection statute has already fully expired
D. Only pursuant to a court order specifically compelling the extension

59. Fernanda Quintanilla submits a lump sum cash offer in compromise using Form 656. Absent a low-income certification waiver, what payment must generally accompany the submission?

A. A nonrefundable payment equal to 20 percent of the total offer amount
B. The entire offer amount, held by the IRS in a refundable escrow account
C. No payment at all is required until the offer is formally accepted
D. A refundable deposit equal to one month of her reasonable collection potential

60. To preserve lien priority beyond the self-release date printed on a Notice of Federal Tax Lien, within what window must the IRS refile the notice?

A. At any point before the ten-year collection statute of limitations eventually expires
B. Only within the first five years following the original lien filing date
C. Within ten calendar days immediately following the printed self-release date
D. Within the one-year period ending 30 days before the ten-year CSED

61. Martin Wrenfield deliberately failed to file his individual income tax return in order to evade a substantial tax liability, and the IRS establishes by clear and convincing evidence that his failure to file was fraudulent. Under IRC Section 6651(f), what monthly penalty rate and cap apply in place of the standard failure-to-file penalty?

A. 5% per month, capped at a maximum of 25% of the unpaid tax
B. 15% per month, capped at a maximum of 75% of the unpaid tax
C. 10% per month, capped at a maximum of 50% of the unpaid tax
D. 25% per month, capped at a maximum of 100% of the unpaid tax

62. Yusuf Karimi owed additional tax and entered into an IRS-approved installment agreement to pay the balance over time. While the agreement remains in effect and he stays current with its terms, what happens to the monthly failure-to-pay penalty rate under IRC Section 6651(h)?

A. The penalty rate doubles to encourage faster repayment of the balance
B. The penalty is suspended entirely for the life of the agreement
C. The penalty rate remains unchanged at the standard 0.5% per month
D. The penalty rate is reduced to 0.25% per month for that period

63. Under IRC Section 6662(d), how is a 'substantial understatement' of income tax defined for a C corporation, as distinguished from the threshold that applies to an individual taxpayer?

A. The understatement exceeds the lesser of 10% of the tax required to be shown on the return (or $10,000 if greater) or $10 million
B. The understatement exceeds $5,000 regardless of the corporation's size or the amount of tax shown on the return
C. The understatement exceeds 25% of the tax required to be shown on the return, with no dollar-based alternative threshold
D. The understatement exceeds the greater of $25,000 or 15% of the tax shown on the corporation's return for the year

64. The IRS proves by clear and convincing evidence that Desmond Callaway's underpayment resulted from fraud under IRC Section 6663. Can Desmond avoid the resulting civil fraud penalty by establishing reasonable cause and good faith for the position underlying that same portion of the underpayment?

A. Yes, reasonable cause is always available once the taxpayer demonstrates any good faith effort at compliance
B. Yes, but only if he also files an amended return before the IRS issues a formal notice

C. No, reasonable cause is not a defense to civil fraud because fraud is inherently inconsistent with good faith
D. No, though the fraud penalty rate is reduced to 50% when reasonable cause factors are shown

65. Owen Fairbrook, a paid preparer, willfully disregarded a rule or regulation in order to understate a client's tax liability. Under IRC Section 6694(b), which addresses willful or reckless conduct by a preparer, what is the resulting penalty amount?

A. $1,000, or 25% of the fee charged for preparing the return, whichever is greater
B. A flat $2,500 penalty regardless of the preparer's income from the return
C. $5,000, or 50% of the income the preparer derived from the return, whichever is greater
D. 100% of the preparer's fee for the return, capped at a maximum of $10,000

66. Curtis Hallowell is assessed a preparer penalty by the IRS. Without paying the full penalty amount up front, what procedure under IRC Section 6694(c) allows him to contest the assessment while IRS collection is stayed?

A. He must pay the entire penalty in full before any refund claim or judicial review is available
B. He may set up a payment plan, but full IRS collection continues throughout any dispute
C. He must post a bond equal to 100% of the penalty to stay collection during litigation
D. He may pay 15% of the penalty within 30 days and file a refund claim, staying collection

67. Isabelle Radcliffe failed to file Form 8938 disclosing specified foreign financial assets as required under IRC Section 6038D. What penalty applies for the initial failure, and what is the maximum additional penalty that can accrue after the IRS sends written notice?

A. $10,000 for the initial failure, plus $10,000 for each 30-day period after IRS notice, up to $50,000 additional
B. $500 for the initial failure, with no additional penalty regardless of how long the failure continues
C. 5% of the total value of the unreported assets, with no overall dollar cap on the penalty
D. $1,000 for the initial failure, doubling automatically every 90 days the failure continues indefinitely

68. Whitney Somersby knew, at the time she signed a joint return, that her husband had omitted a specific item of income. Under IRC Section 6015(c)(3)(C), what effect does this actual knowledge have on her eligibility for the allocation of liability relief available under Section 6015(c)?

A. It has no effect; actual knowledge is only relevant to relief requested under Section 6015(b)

B. It bars her from Section 6015(c) relief for that item, though equitable relief under 6015(f) may still apply

C. It automatically disqualifies her from requesting any form of innocent spouse relief under Section 6015

D. It only reduces, rather than eliminates, the portion of the item allocated to her under 6015(c)

69. Under the mandatory whistleblower award program authorized by IRC Section 7623(b), assuming the whistleblower's information substantially contributed to the IRS action, what percentage range of collected proceeds may the IRS Whistleblower Office award?

A. 10% to 20% of the collected proceeds resulting from the IRS action

B. 15% to 30% of the collected proceeds resulting from the IRS action

C. 20% to 40% of the collected proceeds resulting from the IRS action

D. 5% to 15% of the collected proceeds resulting from the IRS action

70. Gareth Wexford's accountant made a single transcription error when transferring a figure from his records onto the return, an isolated mistake within an otherwise careful and consistent filing history. How is an isolated computational or transcription error treated under the IRC Section 6664(c) reasonable cause analysis?

A. Any math error automatically triggers the accuracy-related penalty regardless of the taxpayer's surrounding circumstances

B. Transcription errors are treated as per se negligence and can never support a reasonable cause defense

C. Reasonable cause requires that the taxpayer catch and correct the error before the return is filed

D. An isolated computational or transcription error, weighed against overall compliance efforts, can support reasonable cause

71. The IRS determines that Priya Deshmukh's failure to file an FBAR was non-willful, though she held four separate foreign accounts required to be reported on a single year's FBAR. Following the Supreme Court's decision in Bittner v. United States, how is the non-willful penalty applied in this situation?

A. A separate $10,000 penalty applies for each of the four foreign accounts she held

B. No penalty applies because non-willful violations involving multiple accounts are automatically waived

C. One penalty applies per annual FBAR report, regardless of how many accounts it covers

D. The penalty doubles automatically for each account reported beyond the first account

72. What is the annual filing deadline for the FBAR (FinCEN Form 114) reporting foreign financial accounts, and is any extension available?

A. April 15, with an automatic extension to October 15 that requires no separate extension request

B. June 15, with no extension available under any circumstance for individual filers

C. March 15, with a discretionary 30-day extension available only upon written request

D. The same date as the income tax return, with no automatic extension ever granted

73. Desmond Kettering, a corporate officer, is personally assessed the trust fund recovery penalty under IRC Section 6672 after the corporation failed to pay over withheld employment taxes. Which statement correctly describes the nature of this liability?

A. It is a corporate-level penalty that only the business entity itself may ever pay

B. It replaces the corporation's own underlying employment tax liability entirely going forward

C. It may be deducted by Desmond personally as an ordinary business expense

D. It is a personal liability assessed against him separately from the corporation's own liability

74. Camille Fontaine's spouse passed away three weeks before her individual return was due, leaving her responsible for immediate funeral arrangements and urgent estate matters that consumed her attention through the filing deadline. Does this qualify as reasonable cause for her resulting late filing?

A. Yes, the death of an immediate family member shortly before the deadline supports reasonable cause

B. No, only the taxpayer's own hospitalization can ever qualify as reasonable cause for late filing

C. No, reasonable cause requires a natural disaster or casualty loss, not a personal family event

D. Yes, but only if she can also prove the estate itself was insolvent at that time

75. The IRS determines that a joint return's underpayment was due to fraud committed solely by Trent Bellamy, without the knowledge or participation of his wife, Colette Bellamy. Can Colette be relieved of both the underlying deficiency and the associated fraud penalty through innocent spouse relief under IRC Section 6015?

A. No, innocent spouse relief never extends to any penalty and only ever applies to the underlying tax

B. Yes, relief under Section 6015 can extend to both the deficiency and the fraud penalty if she qualifies

C. No, the fraud penalty automatically transfers in full to both spouses regardless of either spouse's knowledge

D. Yes, but only if Colette first personally repays her proportionate share of the joint refund received

76. Under Treasury Regulation Section 1.6664-4, which of the following is generally NOT a factor the IRS considers when evaluating a taxpayer's reasonable cause and good faith defense to an accuracy-related penalty?

A. The taxpayer's experience, knowledge, and level of education relevant to the item at issue

B. The taxpayer's efforts made to assess the proper tax liability for the year involved

C. The taxpayer's marital status at the time the return in question was filed

D. The taxpayer's reliance on the advice of a qualified, independent tax professional

77. Priscilla Danforth, a paid preparer, failed to meet the due diligence requirements of IRC Section 6695(g) for a client's Earned Income Tax Credit, Child Tax Credit, and American Opportunity Tax Credit claims, all on the same return. How is the resulting penalty calculated?

A. A single penalty applies to the return regardless of how many credits were involved

B. The penalty is waived entirely if at least one of the three credits met due diligence

C. A separate penalty applies for each credit or filing status that failed due diligence

D. The penalty applies only to whichever of the three credits carried the largest dollar value

78. Under IRC Section 6724(a), what must a filer establish to obtain a reasonable cause waiver of the information return penalties imposed under Sections 6721 and 6722?

A. That the filer corrected the error within one year of the original due date, regardless of cause
B. That the filer had no information return penalties assessed during the preceding ten years
C. That the failure was caused solely and exclusively by a third-party software malfunction
D. That significant mitigating factors caused the failure and the filer acted responsibly before and after

79. For purposes of calculating a whistleblower's award under IRC Section 7623, which of the following is included within the statutory definition of 'collected proceeds'?

A. Criminal fines, civil forfeitures, and penalties for violations of reporting requirements, in addition to tax, penalties, and interest
B. Only the additional income tax ultimately assessed, excluding any related penalties or accrued interest
C. Only civil accuracy-related penalties, excluding any tax, interest, criminal fines, or forfeitures collected
D. Only amounts actually collected within the first twelve months after the whistleblower's original submission

80. Sofia Winterbourne is petitioning the Tax Court to contest a deficiency arising from a joint return and wants to also raise an innocent spouse defense. Must she first file a standalone Form 8857 and receive an IRS determination, or may she raise the issue within the same Tax Court proceeding?

A. She must file Form 8857 and obtain a final IRS determination before any Tax Court petition is filed
B. She may raise innocent spouse relief within the same proceeding contesting the deficiency, without a prior Form 8857
C. Innocent spouse relief can never be raised in Tax Court and must go through IRS Appeals only
D. She must wait until after the Tax Court's decision is final before requesting innocent spouse relief

81. During an examination, a revenue agent discovers that Simone Okereke maintained two separate sets of financial records for her business: one for her own use showing accurate income, and a second, altered set she provided to her return preparer showing substantially lower income. How is this specific conduct classified for penalty purposes?

A. A first-time recordkeeping error that automatically qualifies for reasonable-cause penalty relief

B. Simple negligence, since inconsistent books alone can never indicate intentional wrongdoing

C. A recognized badge of fraud, since maintaining a deliberate double set of books evidences intent to conceal

D. A civil matter involving only late filing, unrelated to any accuracy or fraud penalty consideration

82. Which combination of persons is required to file an FBAR (FinCEN Form 114) under the Bank Secrecy Act's foreign account reporting rules?

A. Only U.S. persons who both own and physically reside outside the United States for the entire year

B. Any person, whether a U.S. person or not, holding a domestic account exceeding $10,000 at year-end

C. Only U.S. persons whose foreign account balance exceeds $10,000 specifically on December 31 of the year

D. A U.S. person with a financial interest in, or signature authority over, foreign accounts exceeding $10,000

83. Nadia Sutherland, a paid preparer, failed to retain either a copy of each return she prepared or a list containing the required identifying information, for the three-year period required under IRC Section 6695(d). What penalty applies for each such failure?

A. No penalty applies because retention is only a recommended best practice, not a legal requirement

B. A per-failure dollar penalty applies, subject to an annual maximum adjusted for inflation

C. Her PTIN is automatically revoked for any retention failure, with no monetary penalty imposed

D. The penalty equals 50% of the fee charged for each return that was not retained

84. Franklin Winship relied on tax advice from a promoter who designed and sold him the very tax shelter transaction at issue, and who had a direct financial stake in Franklin claiming the resulting deductions. Does this reliance establish a reasonable cause defense to the accuracy-related penalty?

A. No, reliance on an advisor lacking independence and holding a conflicting interest does not establish reasonable cause

B. Yes, any professional's advice automatically satisfies reasonable cause regardless of the advisor's role in the transaction

C. Yes, provided the promoter held a valid PTIN at the time the advice was given to Franklin

D. No, but only because the transaction was also separately classified as abusive under an IRS notice

85. Winona Sedgemoor discovers that a stock she held became completely worthless four years ago, but she never claimed the loss on that year's return. Under the special statute of limitations governing worthless securities, by when must she file a claim for refund?

A. Within three years from when the original return was filed, the same as any other refund claim

B. Within two years from when the tax was originally paid, whichever period is later

C. There is no deadline; worthless securities losses may be claimed on any subsequent return

D. Within seven years from the due date of the return for the year the security became worthless

86. Executor Bartholomew Reyes is settling a decedent's estate that owes federal estate tax based on the value of the gross estate. Under the general rule, by when must the estate's Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, be filed?

A. 6 months after the date of death

B. 9 months after the date of death

C. 12 months after the date of death

D. 15 months after the date of death

87. A taxpayer who filed a timely Form 1040 owes a balance due that cannot be paid in full by the due date. Which form is used to formally request a monthly payment plan with the IRS for the outstanding liability?

A. Form 9465, Installment Agreement Request

B. Form 433-A, Collection Information Statement

C. Form 656, Offer in Compromise

D. Form 8821, Tax Information Authorization

88. Preparer Solange Voisin's client receives an IRS notice stating the agency corrected a simple addition error on her already-filed Form 1040 and adjusted her refund accordingly. Assuming the client agrees with the correction, what should Solange advise regarding filing an amended return?

A. File Form 1040-X immediately to match the IRS figures

B. File Form 1040-X and request an extension of time

C. No amended return is needed since the IRS already fixed it

D. File Form 843 to formally accept the IRS correction

89. Client Desmond Halloway claimed a deduction for a wholly worthless business bad debt on a prior year return and wants to know the recommended minimum period he should retain the supporting documentation for that specific claim, in case the IRS later questions it.

A. 3 years from the filing date

B. 4 years from the filing date

C. 6 years from the filing date

D. 7 years from the filing date

90. Desmond Marrowbrook files Form 4868 by April 15 but enters '$0' as his estimated tax liability despite knowing he will owe approximately $8,000, making no genuine attempt to estimate the amount due. What is the effect on his extension?

A. The extension may be invalidated, since Form 4868 requires a reasonable, good-faith estimate of tax liability

B. The extension remains fully valid no matter what estimate is entered, since only the filing deadline matters

C. The extension is automatically valid because six months is granted regardless of any estimate shown

D. The IRS must accept the extension since Form 4868 filings are approved without any review of the entries

91. Enrolled agent Priyanka Bellingham submits a properly executed Form 2848 on behalf of a new client and the IRS processes it into its centralized authorization system. What is the unique identifying number the IRS assigns to Priyanka within this system to track her power of attorney authorizations?

A. Preparer Tax Identification Number
B. Centralized Authorization File number
C. Electronic Filing Identification Number
D. Business Employer Identification Number

92. Nadia Kestrelwood attempts to e-file her return, but it is rejected because the Social Security Administration's records incorrectly list her as deceased, even though she is alive and has never notified the SSA of any error. What is the correct resolution?

A. Wait 21 days for the IRS to automatically override the SSA death-indicator flag and accept the e-file
B. File Form 14039, Identity Theft Affidavit, since a false death indicator is treated exclusively as identity theft
C. Contact the SSA to correct its records, and paper-file the return with the corrected status in the meantime
D. Nothing can be done; a taxpayer erroneously marked deceased permanently loses e-file eligibility going forward

93. Under the Treasury Offset Program, a taxpayer's federal refund may be reduced to satisfy which of the following categories of debt, in addition to past-due federal tax liabilities?

A. Only past-due federal student loan debt
B. Only unpaid private credit card debt
C. Only delinquent state sales tax debt
D. Child support, federal, and state tax debts

94. Trustee Ophelia Grantham administers a revocable living trust that is treated as a wholly-owned grantor trust for income tax purposes. Instead of filing a full Form 1041 for the trust each year, which alternative reporting method may Ophelia use under the applicable Treasury regulation?

A. File Form 1041 but leave all income lines blank
B. File Form 706 in place of Form 1041 annually
C. Furnish the grantor a statement of trust items instead
D. File Form 1041-A for charitable trust reporting only

95. Under the recordkeeping regulations governing employment taxes, for how long must an employer generally retain records related to employment taxes, such as the amounts and dates of wage payments, after the tax becomes due or is paid, whichever is later?

A. At least four years
B. At least three years, matching the general income tax return assessment period
C. At least ten years, matching the collection statute of limitations period
D. Indefinitely, since employment tax records are never eligible for destruction

96. Client Fitzgerald Okonkwo needs to make a large estimated tax payment tomorrow but only just enrolled in EFTPS, and his enrollment PIN has not yet arrived by mail, making standard EFTPS scheduling impossible in time. What option allows Fitzgerald's bank to send the payment to the IRS the same day?

A. Mail a personal check with next-day priority shipping
B. Use the Same-Day Taxpayer Worksheet through his bank
C. Pay using a personal credit card the following week
D. Submit Form 9465 to request additional payment time

97. Corporate officer Wilhelmina Strand anticipates her company's federal tax refund will exceed one million dollars and wants it deposited electronically rather than issued as a paper check, since large refunds are not automatically direct deposited. Which form should Wilhelmina file to request this electronic deposit?

A. Form 8879-C, e-file authorization for corporations
B. Form 7004, extension of time to file
C. Form 3800, general business credit summary
D. Form 8302, electronic deposit of tax refund

98. Preparer Casimir Whitlock attempts to e-file a return for a client whose Individual Taxpayer Identification Number expired due to inactivity, and the return is rejected as a result. What must the client do before Casimir can successfully e-file the return?

A. Apply for a new Social Security number instead
B. Renew the ITIN by submitting Form W-7
C. Wait one full year before refiling the return
D. File Form 8821 to reactivate the number

99. A business owner maintains payroll for several employees and withholds and remits federal employment taxes each quarter. According to IRS guidance, for how many years after the tax becomes due or is paid, whichever is later, should employment tax records generally be retained?

A. 2 years after the tax is due or paid
B. 3 years after the tax is due or paid
C. 4 years after the tax is due or paid
D. 6 years after the tax is due or paid

100. Client Rosalind Nkemdirim e-files her individual return, which includes a noncash charitable donation requiring a signed appraisal summary that cannot be transmitted electronically with the return. Which form should her preparer use to mail the required paper documentation to the IRS after the e-filed return is accepted?

A. Form 8453, e-file Return Document Transmittal
B. Form 8879, e-file Signature Authorization
C. Form 4868, Extension of Time to File
D. Form 8821, Tax Information Authorization

Answer Key and Explanations — Practice Exam 38, Part 3: Representation, Practices, and Procedures

1. C — Under Circular 230 and IRC procedures, obtaining a PTIN is required only for individuals compensated for preparing or assisting in preparing federal tax returns. Volunteers who prepare returns without any compensation, including those working at VITA or TCE sites, fall outside this requirement entirely, so Lydia is not obligated to obtain or maintain a PTIN for that volunteer work.

2. D — Prometric, which administers the Special Enrollment Examination on behalf of the IRS, permits a candidate up to four scored attempts on any single part within one testing window, which runs from May 1 through the end of February. Candidates must wait only twenty-four hours between attempts, allowing several retakes within that same annual window if needed.

3. B — Circular 230 is organized into five subparts. Subpart A covers general provisions and definitions, Subpart B sets out duties and restrictions relating to practice, and Subpart C, titled Sanctions for Violation of the Regulations, identifies available sanctions such as censure, suspension, and disbarment. Subpart D governs disciplinary proceedings, while Subpart E contains remaining general provisions.

4. A — Under Circular 230's continuing education rules, a practitioner who serves as an instructor, discussion leader, or speaker for a qualifying program may claim credit for both preparing the material and actually presenting it, subject to IRS-imposed limits on how much of the total required hours instruction credit may satisfy in a given enrollment cycle.

5. A — Suitability review for enrollment includes confirming the applicant's own federal tax compliance history, meaning that all required personal returns have been filed and any outstanding federal tax liabilities are either paid in full or covered by an acceptable payment arrangement, since an applicant who is not personally compliant may be found unsuitable for enrollment as an agent.

6. B — An enrolled agent's enrollment is granted for a standard three-year cycle rather than being permanent or requiring annual renewal. At the close of each cycle, the practitioner must timely file a renewal application and document completion of the required continuing education hours, or the enrollment will lapse instead of continuing automatically.

7. D — The Special Enrollment Examination consists of three parts: Part 1 covers individuals, Part 2 covers businesses, and Part 3 covers representation, practices, and procedures, including Circular 230's ethical standards, practitioner responsibilities, and IRS procedural topics such as recordkeeping requirements, penalty provisions, and the general examination and collection processes taxpayers may face.

8. C — A PTIN is strictly a return-preparation credential required of compensated preparers; by itself it does not grant any right to practice before the IRS. Representation authority is reserved for enrolled agents, attorneys, CPAs, and other Circular 230-recognized practitioners, or, in narrowly limited circumstances, unenrolled preparers holding a current Annual Filing Season Program record of completion.

9. C — A non-exempt preparer seeking an Annual Filing Season Program Record of Completion must finish eighteen total continuing education hours: a six-hour Annual Federal Tax Refresher course ending in a comprehension test, ten hours covering other federal tax law topics, and two hours of ethics, a distinctly smaller total than the enrolled agent's three-year cycle requirement.

10. D — The Office of Professional Responsibility administers and enforces Circular 230, investigating allegations of practitioner misconduct and pursuing disciplinary sanctions such as censure, suspension, or disbarment when warranted. This role differs from the Return Preparer Office, which primarily handles PTIN issuance and enrollment application processing rather than conduct enforcement or discipline.

11. A — Circular 230 and the enrolled agent credential govern only practice before the Internal Revenue Service, meaning representation on federal tax matters. Whether a practitioner may represent a client before a state department of revenue or other state taxing authority is determined entirely by that state's own separate licensing and representation rules, not by federal enrollment.

12. B — Qualifying continuing education for an enrolled agent's renewal must cover federal taxation or clearly federal tax-related subject matter. A course devoted solely to state sales and use tax law does not satisfy any portion of that requirement, regardless of the provider's accreditation, because the subject matter itself falls entirely outside Circular 230's continuing education scope.

13. B — The IRS's mandatory Registered Tax Return Preparer testing and certification program was invalidated by the federal court decision in Loving v. IRS, which held the agency lacked statutory authority to impose it on non-credentialed preparers. The IRS subsequently introduced the voluntary Annual Filing Season Program to let such preparers demonstrate continuing education.

14. A — PTIN applicants and renewers, like applicants for enrollment, are subject to a personal federal tax compliance check under IRS procedures. An unresolved tax delinquency can affect PTIN issuance or renewal, a review process that operates separately from, though similar in purpose to, the suitability check performed for enrolled agent applications and renewals.

15. C — Expiration of enrollment for failing to timely file a renewal application is simply an administrative lapse resulting from non-renewal, not a finding of misconduct. Suspension, by contrast, is a sanction imposed through an Office of Professional Responsibility disciplinary proceeding for violating Circular 230's standards of conduct, following its own separate procedural safeguards.

16. D — Federal law authorizes executive agencies, including the IRS, to charge reasonable user fees for services such as processing applications for enrollment and renewal under Circular 230. This fee, submitted alongside Form 23 or Form 8554, is separate from any examination fee charged by the SEE testing vendor and is generally nonrefundable.

17. D — Under §10.25, a former government employee is permanently barred from representing anyone in a particular matter involving specific parties that the employee personally and substantially participated in while employed by the government, no matter how much time has since passed. A separate two-year bar, not a permanent one, applies instead to matters merely under that employee's prior official responsibility.

18. C — Under §10.29(c), when a practitioner obtains informed written consent to represent clients with conflicting interests, the practitioner must retain a copy of that consent for at least 36 months after the representation concludes. The consent need not be filed with OPR, but it must be furnished to OPR upon request during the retention period.

19. B — §10.29(b) permits representation despite a conflict only if the practitioner reasonably believes competent, diligent representation can be provided to each affected client, each client gives informed consent confirmed in writing, and that written consent is retained for thirty-six months and furnished to the IRS upon request. This written-consent requirement safeguards each client's individual interests throughout the engagement.

20. A — §10.35 defines competence as requiring the knowledge, skill, thoroughness, and preparation necessary for the matter engaged in. A practitioner may achieve this through personal qualification and study, through consultation with qualified persons, or by properly declining the engagement; insurance coverage and IRS pre-approval are not recognized substitutes. This flexible three-path standard applies equally to research, preparation, and representation activities.

21. C — Section 10.30 prohibits advertising that is false, fraudulent, or misleading, including any statement implying a practitioner can obtain special consideration or more favorable treatment from the IRS than other practitioners could secure through ordinary application of the law. Claims of personal influence over IRS outcomes are barred regardless of the advertising medium used.

22. B — §10.26 prohibits a practitioner who is also a notary public from taking acknowledgments, administering oaths, certifying papers, or performing any official notarial act in connection with a matter in which the practitioner is employed as counsel, attorney, or agent, or in which the practitioner has any interest, regardless of state commission validity.

23. A — §10.30 prohibits advertising that is false, misleading, or deceptive, including language implying a special relationship with the IRS or that using an enrolled agent grants preferential treatment in tax matters. The medium used, such as print versus direct mail, and whether an enrollment number appears do not cure this type of misleading implication.

24. D — §10.34(b) extends beyond tax returns to any other document, affidavit, or paper submitted to the IRS: a practitioner may not advise a client to take a position that lacks a reasonable basis or is frivolous, regardless of whether that document is itself a tax return subject to filing requirements at all.

25. B — §10.6 requires an enrolled agent to complete seventy-two hours of qualifying continuing education over each three-year enrollment cycle, with a minimum of sixteen hours completed in each year of that cycle, at least two of which must be in ethics or professional conduct, taken only from IRS-approved CE providers, as verified by the IRS.

26. D — Under §10.2(a)(4), 'practice before the Internal Revenue Service' covers matters before the IRS itself, such as examinations, appeals, and collection, but does not extend to representation in federal court proceedings. Appearing before the U.S. Tax Court is instead governed by that court's own admission rules under Tax Court Rule 200, separate from Circular 230 entirely.

27. C — §10.68 establishes that the Administrative Law Judge presiding over a disciplinary proceeding decides the case with full decisional independence and is not subject to supervision or direction by the IRS Office of Professional Responsibility or the Office of Chief Counsel, ensuring the adjudication remains impartial and free from institutional influence in every case.

28. A — §10.82 authorizes an expedited suspension proceeding, bypassing the standard complaint-and-hearing process, when a triggering event occurs such as a state license revocation for cause, certain criminal convictions, or failure to file personal tax returns for five consecutive years. OPR issues a show-cause order, and the practitioner has a limited period to respond.

29. C — §10.24 bars a practitioner from accepting assistance from any person under disbarment or suspension if that assistance relates to representing a client in a matter before the IRS. Purely clerical or ministerial functions, such as typing, filing, or delivering documents without client contact, remain permissible because they fall outside the restricted scope.

30. B — §10.32 makes clear that nothing in Circular 230 authorizes a person who is not an attorney to engage in the practice of law. Drafting a legal opinion on contract enforceability, unrelated to any tax matter, falls outside an enrolled agent's authorized scope of practice regardless of client consent or any state licensure status.

31. D — §10.9 establishes the requirements a continuing education provider must satisfy to become an IRS-approved qualifying sponsor. Coursework taken from an unapproved provider generally does not count toward the renewal requirement, regardless of the subject matter's relevance or how many hours were completed, because the sponsor itself lacks recognized IRS-approved status under this provision.

32. A — Form 2848 Part I requires the taxpayer's name, address, and taxpayer identification number before the IRS Centralized Authorization File unit will process the authorization. An incomplete taxpayer identification number entry causes the IRS to reject the power of attorney rather than process it, delaying the representative's ability to act until a corrected Form 2848 is submitted.

33. B — Filing a new Form 2848 for the same matters and years generally revokes all earlier powers of attorney on file unless the taxpayer affirmatively checks the retention box on line 6. Checking that box and attaching a copy of the prior Form 2848 preserves the enrolled agent's authority while the CPA's new authorization is separately processed and recorded.

34. A — Form 8821 authorizes the IRS to disclose confidential tax information to an appointee for inspection or receipt purposes only; it grants no authority to advocate, negotiate, or otherwise represent the taxpayer. Because no representation occurs, the appointee need not be an eligible practitioner and may instead be a corporation, firm, partnership, or organization.

35. C — Correspondence examinations are reserved for simple, well-documented issues that can be resolved entirely through mailed correspondence. When a taxpayer's records are voluminous, disorganized, or otherwise unsuited to review by mail, the IRS will typically convert the examination to an office or field examination so an examiner can review the documentation in person.

36. D — A spouse who signed a joint return but had no knowledge or reason to know of an understatement attributable to the other spouse may seek relief from joint and several liability under IRC section 6015 by filing Form 8857, Request for Innocent Spouse Relief. This request may be raised at any stage of the examination or later collection process.

37. C — The Right to Challenge the IRS's Position and Be Heard entitles taxpayers to raise objections and supply additional documentation in response to formal IRS actions or proposed adjustments. It further requires the IRS to consider timely, well-documented objections promptly and fairly and to provide a response if the taxpayer's position is not accepted.

38. A — When the tax matters and years needing representation exceed the space available on Form 2848, line 3, the taxpayer should write 'See attached list' on the line and attach a separate schedule specifying each matter and period. The attachment must be signed and dated consistently with the Form 2848 itself to be valid.

39. B — An examiner who uncovers evidence that similar issues likely exist in other tax years may expand the scope of an examination to those years, provided the appropriate internal approval to open the additional returns is obtained first. Expansion is not automatic; each additional year generally requires its own classification and managerial sign-off before work begins.

40. D — A closing agreement executed under IRC section 7121 is generally final and conclusive, and the matter it covers ordinarily cannot be reopened. However, the finality of a closing agreement is not absolute: it may be set aside upon a clear showing of fraud, malfeasance, or misrepresentation of a material fact, such as concealed offshore income discovered afterward.

41. D — Form 2848 authorizes the IRS to send the representative copies of notices and correspondence, but it does not change the taxpayer's official address of record. A taxpayer who wants to update that address must separately file Form 8822 or otherwise properly notify the IRS, since the two functions are governed by entirely different procedures.

42. A — Form 8821 permits a taxpayer to name multiple appointees, but the IRS will automatically send copies of notices and communications to no more than two of the appointees listed. When more than two names appear, the taxpayer or appointees should specify which two are intended to receive copies to avoid processing delay or confusion.

43. C — While office examinations are typically conducted through an in-person interview at an IRS office, examiners have discretion to accommodate a taxpayer's documented circumstances, such as a mobility impairment, by conducting the interview over the telephone or through correspondence instead. This flexibility allows the examination to proceed fairly without requiring an in-person visit that would impose genuine hardship.

44. B — IRC section 6751(b) generally requires that the initial determination of a penalty be personally approved in writing by the examiner's immediate supervisor before the penalty is assessed, subject to limited statutory exceptions such as certain automatically calculated penalties. Failure to secure this written supervisory approval can invalidate the penalty even if the underlying adjustment itself is correct.

45. B — A parent may generally execute Form 2848 on behalf of a minor child in the capacity of natural guardian, since a minor may lack the legal capacity to sign a valid power of attorney independently. The parent should indicate this representative capacity when signing, consistent with the instructions governing fiduciaries and other parties signing on a taxpayer's behalf.

46. D — Examinations are not limited to returns selected through the Discriminant Information Function scoring system; the IRS also opens examinations based on third-party information received under its whistleblower program. IRC section 7623 authorizes the IRS to pay awards to informants whose credible information leads to the detection of underpayments, and such referrals can independently trigger an examination.

47. C — Under IRC 6672, the trust fund recovery penalty holds a responsible, willful person personally liable only for the trust fund portion of unpaid employment taxes—income tax withheld from employees plus their share of Social Security and Medicare—not the employer's own matching FICA contribution, which remains a corporate-only liability separate from the individual assessment.

48. A — Under the Fresh Start initiative, taxpayers who owe $25,000 or less and agree to pay in full through a Direct Debit Installment Agreement generally avoid a Notice of Federal Tax Lien filing while the agreement stays in effect and current, reducing credit impact without requiring a separate lien withdrawal request or additional financial disclosure.

49. C — IRC 6330(e)(1) suspends the ten-year collection statute of limitations for the period a timely CDP hearing request and any related judicial appeal are pending; if fewer than 90 days remain on the statute when the suspension ends, the statute is extended so at least 90 days remain for the IRS to act.

50. B — Under IRC 6332(d), a person who fails to honor a valid levy after receiving proper notice becomes personally liable to the IRS for the amount that should have been surrendered, plus a penalty equal to 50 percent of that amount, unless the failure resulted from reasonable cause rather than willful disregard.

51. D — As a standard term of Form 656, the IRS keeps any refund, including overpayments, attributable to the tax period in which an offer in compromise is accepted and applies it to the outstanding liability rather than issuing it to the taxpayer; this offset right applies even to refunds from joint returns.

52. A — IRC 6323(c) grants a limited 45-day priority window: certain after-acquired property interests tied to commercial financing agreements, real property construction or improvement financing, and similar transactions can outrank an already-filed federal tax lien if the competing interest is perfected within 45 days of the filing, protecting ordinary post-filing commercial transactions.

53. A — Under IRC 6159 and related IRS guidance, a taxpayer owing $10,000 or less who has filed and paid timely for the preceding five years, has not defaulted a prior installment agreement, and agrees to full payment within three years is statutorily entitled to a guaranteed installment agreement, unlike streamlined or partial payment agreements, which remain discretionary.

54. B — Under IRC 6672, the IRS must establish both responsibility and willfulness to assess the trust fund recovery penalty; willfulness means a voluntary, conscious, and intentional decision (or reckless disregard) to pay other creditors ahead of the IRS after becoming aware that trust fund taxes were unpaid, not proof of fraud or a criminal conviction.

55. D — Once the CSED under IRC 6502 has expired, the IRS has no legal authority to collect the liability by levy or otherwise, and any amounts wrongfully collected afterward are recoverable; the taxpayer may file an administrative claim, and ultimately a refund suit if necessary, to recover funds seized after the statute lapsed.

56. C — IRC 6323(f) requires the IRS to file the Notice of Federal Tax Lien in the place designated by the law of the state where the property is located; for personal property, that generally means the taxpayer's county of residence, while real property filings follow the location of the real estate itself.

57. C — Under 11 U.S.C. 362(b)(9), the automatic stay does not prevent the IRS from auditing a return, issuing a notice of deficiency, or demanding that a return be filed; actions such as filing a new lien, levying, or offsetting refunds against pre-petition debt generally remain barred until the stay is lifted or the case closes.

58. B — Current law generally limits voluntary CSED extensions to those executed on Form 900 in connection with an installment agreement, and the extension must be agreed to before the existing statute expires; the IRS can no longer obtain blanket waivers unrelated to an installment agreement, reflecting taxpayer-protection restrictions enacted in the collection statute rules.

59. A — Under the offer in compromise rules for a lump sum cash offer, defined as payable in five or fewer installments, the taxpayer must submit a nonrefundable payment equal to 20 percent of the offer amount along with Form 656, unless the taxpayer qualifies for and properly claims the low-income certification fee and payment waiver.

60. D — IRC 6323(g) requires the IRS to refile the Notice of Federal Tax Lien within the required refiling period, generally the one-year window ending 30 days before the ten-year CSED, to preserve priority beyond the self-release date; refiling outside this window causes the original lien to self-release and lose its priority position.

61. B — Under IRC Section 6651(f), a fraudulent failure to file is penalized far more severely than an ordinary late filing: the monthly rate triples from 5% to 15%, and the overall cap rises from 25% to 75% of the unpaid tax. This heightened penalty replaces the standard failure-to-file penalty rather than stacking on top of it.

62. D — IRC Section 6651(h) reduces the failure-to-pay penalty from the standard 0.5% per month to 0.25% per month for any month an installment agreement is in effect, provided the taxpayer filed a timely return and the agreement remains in good standing. The reduction rewards taxpayers who proactively resolve their outstanding balance instead of ignoring it.

63. A — For a C corporation, IRC Section 6662(d)(1)(B) defines a substantial understatement as one exceeding the lesser of 10% of the tax required to be shown on the return, or $10,000 if that amount is greater, subject to an overall $10 million ceiling. Individuals instead apply a flat greater-of-$5,000-or-10%-of-tax threshold, with no comparable million-dollar cap.

64. C — Once the IRS proves fraud by clear and convincing evidence under IRC Section 6663, the reasonable cause and good faith exception in Section 6664(c) is unavailable for that portion of the underpayment. Fraud requires intentional wrongdoing, which is inherently incompatible with the good faith reliance the reasonable cause defense presupposes for that item.

65. C — IRC Section 6694(b) imposes a penalty on a preparer for a willful attempt to understate liability or reckless disregard of rules or regulations. The penalty equals the greater of $5,000 or 50% of the income the preparer derived, or expected to derive, from preparing that return, far exceeding the Section 6694(a) unreasonable-position penalty.

66. D — IRC Section 6694(c) lets a preparer pay only 15% of an assessed penalty within 30 days of notice and demand, then file a claim for refund of that partial payment. Filing the claim stays IRS collection of the remaining 85% until the refund suit or administrative dispute is resolved, giving preparers meaningful judicial review without a prohibitive upfront cost.

67. A — IRC Section 6038D imposes a $10,000 penalty for failing to file Form 8938. If the failure continues more than 90 days after the IRS mails notice, an additional $10,000 penalty applies for each 30-day period of continued noncompliance, capped at $50,000 in additional penalties beyond the initial assessment, making prolonged noncompliance costly.

68. B — IRC Section 6015(c)(3)(C) bars allocation-of-liability relief for any item on a joint return that the requesting spouse actually knew about when signing. This actual knowledge exception applies specifically to Section 6015(c), but the spouse may still be considered for equitable relief under Section 6015(f) if the facts otherwise support granting such relief.

69. B — Under IRC Section 7623(b), the mandatory award program requires the IRS to pay a whistleblower between 15% and 30% of collected proceeds when the information substantially contributed to the action and the amount in dispute exceeds the statutory threshold. The exact percentage within that range depends on the whistleblower's contribution, cooperation, and the significance of the information.

70. D — Treasury Regulation 1.6664-4, interpreting IRC Section 6664(c), directs the IRS to weigh all relevant facts and circumstances when assessing reasonable cause, including the taxpayer's experience and overall compliance efforts. An isolated computational or transcription error, considered against an otherwise careful filing history, can support a finding of reasonable cause and good faith.

71. C — In Bittner v. United States, the Supreme Court held that the non-willful FBAR penalty under 31 U.S.C. Section 5321 applies per annual report filed, not per foreign account. So Priya, who non-willfully failed to report four accounts on one required FBAR, faces a single non-willful penalty rather than four separate ones.

72. A — FinCEN Form 114, the FBAR, is due April 15 each year to report foreign financial accounts for the prior calendar year. FinCEN grants filers an automatic extension to October 15 without requiring a separate extension request, aligning the FBAR deadline with the extended individual income tax return filing deadline each year.

73. D — The trust fund recovery penalty under IRC Section 6672 is a personal, non-deductible liability assessed directly against a responsible person who willfully fails to collect, account for, or pay over trust fund taxes. It stands separate from and in addition to the corporation's own underlying employment tax liability, not a replacement.

74. A — Under the reasonable cause standard applied to IRC Section 6651 penalties, the death of an immediate family member shortly before a filing deadline, particularly a spouse, is a recognized circumstance supporting reasonable cause when it prevented timely compliance. The IRS considers the timing, severity, and its effect on the taxpayer's ability to file.

75. B — IRC Section 6015 relief is not limited to the underlying tax deficiency; it can also extend to related penalties, including the civil fraud penalty, when the requesting spouse establishes she meets the applicable requirements and had no knowledge of, or participation in, the fraudulent conduct that produced the understatement of tax on the joint return.

76. C — Treasury Regulation Section 1.6664-4 directs the IRS to weigh facts such as the taxpayer's experience, knowledge, and education, the effort made to assess the correct tax liability, and reasonable reliance on competent professional advice. Marital status, standing alone, is not among the enumerated factors relevant to this reasonable cause determination under the regulation's facts-and-circumstances test.

77. C — IRC Section 6695(g) imposes a separate due diligence penalty for each applicable credit or head-of-household filing status claimed on a return for which the preparer failed to satisfy the requirements. Because Priscilla failed due diligence on three separate credits on one return, three distinct penalties apply rather than a single combined one.

78. D — IRC Section 6724(a) waives the Section 6721 and 6722 information return penalties if the filer shows the failure arose from an event beyond its control or other significant mitigating factors, and that it acted in a responsible manner both in trying to prevent the failure and in correcting it once discovered.

79. A — Congress amended IRC Section 7623(c) to clarify that 'collected proceeds' for whistleblower award purposes include criminal fines, civil forfeitures, and penalties for violations of reporting requirements, not just additional tax, penalties, and interest recovered. This broadened definition can significantly increase the award base in appropriate whistleblower cases involving these expanded categories of recovery.

80. B — IRC Section 6015(e)(1) allows a spouse petitioning the Tax Court over a deficiency to raise innocent spouse relief as an issue within that same proceeding. A separate, standalone Form 8857 filing and prior IRS administrative determination are not prerequisites to litigating innocent spouse relief in a pending deficiency case already before the court.

81. C — Keeping two sets of books, one accurate for personal use and a second falsified set given to a preparer, is a well-recognized badge of fraud under longstanding case law and IRS examination guidance. It demonstrates the affirmative intent to conceal income needed to support the civil fraud penalty under IRC §6663, distinguishing the conduct from mere negligence.

82. D — The Bank Secrecy Act requires any U.S. person with a financial interest in, or signature or other authority over, one or more foreign financial accounts to file an FBAR if the aggregate value of those accounts exceeds $10,000 at any point during the calendar year, not merely on a single date.

83. B — IRC Section 6695(d) requires preparers to retain either a copy of each return or a list of identifying information for three years. Failure to comply triggers a per-failure dollar penalty, subject to an annual maximum that is adjusted for inflation, distinct from the identification and signature requirements found elsewhere in Section 6695.

84. A — Reasonable cause reliance requires the advisor to be independent and free of conflicting interests in the transaction. Because the promoter both designed and sold Franklin the shelter and profited from his participation, that advice cannot satisfy the reasonable cause and good faith standard under Section 6664(c), regardless of the promoter's credentials.

85. D — IRC §6511(d)(1) grants an extended seven-year period, rather than the standard three-year period, to file a refund claim for a bad debt or a security that became wholly worthless, measured from the due date of the return for the year of worthlessness. This special rule recognizes how difficult pinpointing that exact year can be.

86. B — Form 706 must generally be filed within 9 months after the decedent's date of death under IRC Section 6075(a), separate from Form 1041's annual income tax filing deadline for the estate. A 6-month extension is available using Form 4768, but that extends only the filing deadline, not the time to pay any estate tax due.

87. A — A taxpayer unable to pay a balance due in full may file Form 9465, Installment Agreement Request, to propose a monthly payment plan with the IRS. It can be submitted with the return, separately, or online, and approval often depends on the amount owed and the taxpayer's compliance history with prior filings.

88. C — When the IRS corrects a simple math or clerical error under IRC Section 6213(b), it adjusts the account directly and no Form 1040-X is required if the taxpayer agrees. Solange should advise her client to review the notice, verify the correction is accurate, and only respond in writing if she disputes the change.

89. D — The IRS recommends keeping records supporting a claim for a loss from worthless securities or a bad debt deduction for 7 years, longer than the standard 3-year assessment period, because taxpayers have up to 7 years to file a refund claim tied to worthless securities or bad debts under IRC Section 6511(d).

90. A — To be valid, Form 4868 requires a reasonable, good-faith estimate of the taxpayer's total tax liability based on information available at filing. An extension request reflecting no genuine attempt at accurate estimation can be disregarded by the IRS as invalid, exposing the taxpayer to failure-to-file penalties as though no extension had ever been requested.

91. B — The IRS assigns each recognized representative a Centralized Authorization File, or CAF, number the first time a valid Form 2848 or Form 8821 is processed. This number allows the IRS to identify Priyanka's authorizations electronically and should be entered on future power of attorney submissions rather than applying for a duplicate number.

92. C — A death indicator erroneously placed on a taxpayer's Social Security record causes e-file rejections and can delay refunds. The taxpayer must contact the SSA directly to correct the underlying record, since the IRS cannot alter SSA data itself, and in the meantime the return can still be paper-filed while the correction is processed.

93. D — The Treasury Offset Program can reduce a federal refund to satisfy multiple categories of debt beyond federal tax, including past-due child support, defaulted federal student loans, other delinquent federal agency debts, and certain state income tax obligations. Private credit card debt and state sales tax are not enforced through this federal offset program.

94. C — Under Treasury Regulation Section 1.671-4, a wholly-owned grantor trust is generally not required to file a full Form 1041. Instead, the trustee may furnish the grantor a statement reporting all items of income, deduction, and credit attributable to the trust, which the grantor then reports directly on their own individual Form 1040.

95. A — Treasury Regulation §31.6001-1 requires employers to keep all records relevant to employment taxes for at least four years after the date the tax becomes due or is paid, whichever is later. This differs from the general three-year retention guideline often cited for income tax records and reflects the assessment period applicable specifically to employment tax returns.

96. B — Fitzgerald can ask his financial institution to originate a same-day wire payment to the IRS using the Same-Day Taxpayer Worksheet, which does not require completed EFTPS enrollment. This method is typically used when a payment deadline is imminent and standard EFTPS scheduling, which requires an activated enrollment, cannot be completed in time.

97. D — Refunds of $1 million or more are not automatically direct deposited by default, so Wilhelmina must file Form 8302, Electronic Deposit of Tax Refund of $1 Million or More, to request electronic deposit into a designated financial institution account. Without this form, the IRS will generally issue a large refund as a paper check.

98. B — An expired ITIN causes an e-file rejection because the IRS cannot verify the taxpayer's identification number. The client must submit Form W-7, Application for IRS Individual Taxpayer Identification Number, to renew the expired ITIN before Casimir can successfully retransmit the return, since a Social Security number cannot substitute for an unexpired ITIN in this situation.

99. C — IRS guidance provides that employment tax records, including amounts and dates of wage payments, tips, and deposits, should generally be kept for at least 4 years after the date the tax becomes due or is paid, whichever is later. This period is longer than the standard 3-year individual income tax assessment period.

100. A — Because a signed appraisal summary and certain other supporting documents cannot be transmitted electronically, the preparer should use Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return, to mail the required paper attachments to the IRS after Rosalind's e-filed return has been accepted, referencing the submission identification number.