PRACTICE EXAM 40: 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. Bronwyn Tregarthen holds a Friday morning appointment for an SEE part at a PSI test center, and on Thursday afternoon a client emergency makes attendance impossible. What is the consequence if she cancels then?

A. She may cancel at no charge, because the testing vendor waives fees for any cancellation made before the appointment begins.
B. She forfeits the examination fee, because a cancellation or reschedule must be made at least 48 hours before the appointment.
C. She receives an automatic credit toward a future appointment, provided the cancellation is entered at least two hours before start time.
D. She may transfer the reserved appointment to another registered candidate, provided the transfer request is made before the scheduled start time.

2. Caspian Hjelmstad has finished his review course and wants to register for his first part of the Special Enrollment Examination. What must he obtain before an appointment can be scheduled?

A. An enrollment number, issued by the Return Preparer Office once Form 23 has been filed.
B. A Centralized Authorization File number, obtained by filing a power of attorney with the Service.

C. A preparer tax identification number, which every candidate must hold before scheduling any part.
D. A signed sponsorship letter from an enrolled agent in good standing in his own state.

3. Briony Pettibone arrives to sit for an examination part carrying a passport that expired last month and a current credit card bearing her name. What happens at check-in?

A. She is denied admission and forfeits the fee, because identification must be unexpired, government-issued, and name-matched.
B. She is admitted after a supervisor photographs both items and records the documentation discrepancy on the roster.
C. She is admitted after signing a waiver acknowledging that her score may be held pending later review.
D. She is rescheduled at no cost, because expired identification is treated the same as a documented emergency.

4. Anwen Bracegirdle is a United States citizen who, because of a conscientious religious objection, has never obtained a Social Security number. She now prepares returns for compensation and needs a PTIN. What should she do?

A. Prepare returns only without compensation, because a Social Security number is an absolute condition of holding a PTIN.
B. Submit Form 8946 with her application, the supplemental form used by foreign persons who cannot obtain a number.
C. Apply for an individual taxpayer identification number on Form W-7 and report that number in place of a PTIN.
D. Submit Form 8945 along with her Form W-12 application, supported by documentation that establishes the conscientious religious objection.

5. Clovis Nyquist is paid to prepare only Forms W-2 and Forms 1099 for several small businesses, and he prepares no income tax returns or refund claims for anyone. Which statement is correct?

A. He needs a PTIN, because receiving compensation for preparing any federal form triggers the requirement.

B. He needs no PTIN, because those forms are not covered by the preparer identification requirement.
C. He needs a PTIN only if he prepares more than twenty-five such forms in a calendar year.
D. He needs a PTIN only during January and February, the months in which those forms are filed.

6. Adalind Fontanelli is an unenrolled preparer who qualifies as an exempt individual for Annual Filing Season Program purposes. What continuing education must she complete to receive a Record of Completion?

A. Eighteen hours, consisting of a six-hour refresher course, ten hours of federal tax law, and two hours of ethics.
B. Twelve hours, consisting of eight hours of federal tax law topics and four hours of professional ethics coursework.
C. Fifteen hours, consisting of three hours of tax law updates, ten hours of tax law, and two hours of ethics.
D. Twenty hours, consisting of fifteen hours of federal tax law topics and five hours of professional ethics coursework.

7. Constantin Skarsgaard obtained an Annual Filing Season Program Record of Completion for the current filing season and asks his study group how long that record stays effective. What is the correct answer?

A. It stays effective for three years, matching the enrollment cycle the Service uses for enrolled agents.
B. It stays effective indefinitely after issuance, provided he keeps his preparer identification number active.
C. It stays effective until he is suspended, because the record operates as a permanent federal credential.
D. It covers a single filing season, and the required hours must be finished by December 31 annually.

8. A regional tax firm asks whether the firm itself, rather than its individual staff members, may be enrolled to practice before the Internal Revenue Service. Which statement is correct?

A. Enrollment may be granted only to natural persons, so the firm itself cannot be enrolled.
B. Enrollment may be granted to a firm that designates one enrolled agent as its responsible representative.

C. Enrollment may be granted to any entity that pays the applicable user fee for each office location.

D. Enrollment may be granted to a partnership, although corporations and limited liability companies are excluded.

9. Aurelia Tannenbaum wants to know exactly how the three years measured for her continuing education are defined under Circular 230 section 10.6. Which description is accurate?

A. Each year runs twelve months forward from the date the Service issued her enrollment card.

B. Each year runs from April 1 through March 31, tracking the effective date of renewal.

C. Each year runs from January 1 through December 31, so hours are counted by calendar year.

D. Each year runs from July 1 through June 30, aligning with the examination testing window.

10. Bastienne Zeleny's enrollment comes up for renewal in the coming cycle, and she wants to know when Form 8554 must be filed and when the renewed enrollment takes effect. Which answer is correct?

A. File between January 1 and March 31, with the renewed enrollment effective July 1 of that year.

B. File between November 1 and January 31, with the renewed enrollment effective April 1 of that year.

C. File between April 1 and June 30, with the renewed enrollment effective October 1 of that year.

D. File between July 1 and September 30, with the renewed enrollment effective January 1 of the following year.

11. Cosima Farnsworth was suspended from practice before the Internal Revenue Service last year. She is also the full-time controller of her employer and offers to represent that company at an examination as its employee. May she?

A. Yes, because a full-time employee representing an employer acts outside the reach of Circular 230 sanctions.

B. Yes, provided she files a written statement disclosing the suspension to the examining revenue agent first.

C. Yes, provided she receives no compensation beyond the regular salary already paid for her controller duties.

D. No, because an individual under suspension or disbarment may not engage in limited practice at all.

12. Under Circular 230, who may submit written comments on a proposed Treasury regulation or testify at a public hearing on it?

A. Any individual may participate in rulemaking as provided by the Administrative Procedure Act.
B. Only practitioners currently in good standing may submit comments on proposed Treasury regulations.
C. Only enrolled agents, attorneys, and certified public accountants may testify at a public hearing.
D. Only individuals holding a valid preparer tax identification number may submit written comments.

13. Caius Guillory plans to mail a paper Form W-12 in late December so that he can begin preparing returns for compensation in January. What should he be told about processing time?

A. Paper applications take roughly four to six weeks, while the online application takes about fifteen minutes.
B. Paper applications are processed within three business days, the same turnaround given to online applications.
C. Paper applications are processed only during summer months, when the online application system is unavailable.
D. Paper applications produce a temporary number immediately, which becomes permanent after the filing season ends.

14. Under the definition in Circular 230 section 10.2, which of the following activities constitutes practice before the Internal Revenue Service?

A. Auditing a client's financial statements under generally accepted auditing standards for a commercial lender.
B. Recording a client's monthly bookkeeping entries and reconciling the operating accounts of the business.
C. Rendering written advice on a transaction having a potential for tax avoidance or evasion.
D. Registering a client's newly formed limited liability company with the appropriate secretary of state.

15. Amadeo Pikkarainen, a general partner who is not a practitioner, appears at an examination of his partnership while the other partners stay away. What must he present to represent the partnership?

A. A completed Form 2848 signed by every partner, together with the partnership's most recently filed return.

B. A certified copy of the partnership agreement and evidence that he holds a majority capital interest.

C. A written statement promising compliance with Circular 230 and a current preparer identification number.

D. Satisfactory identification and proof of his authority to represent the partnership before the Service.

16. A candidate who fails one part of the Special Enrollment Examination and must sit for it again asks how the examination fee will be handled. What is the rule?

A. One fee covers all three parts, including any retakes attempted within the same testing window.

B. A separate fee applies to each part and is charged again for every retake of that part.

C. A single fee is refunded in full whenever a candidate fails a part on the first attempt.

D. No fee applies to the third part once a candidate has passed the first two parts consecutively.

17. Dagny Nordquist left a Treasury position eight months ago, where she participated in developing a regulation that has since been published. A trade group now wants her to meet with Treasury officials to press for amending that regulation. Under §10.25(b)(4), what restriction applies to her?

A. She is barred for two years from any contact with Treasury employees about that regulation

B. For one year after leaving, she may not communicate with Treasury employees to influence that rule

C. No restriction applies, because a rulemaking is not a matter that involves specific parties

D. She is permanently barred from all representation touching any regulation she helped to write

18. Gaspard Odinkalu, an enrolled agent, identifies a conflict of interest between two clients he wants to represent in the same examination. Both clients give informed consent orally during a meeting in his office. Under §10.29, when must that consent be confirmed in writing?

A. Only if the Office of Professional Responsibility later requests documentation of the waiver

B. Before the representation begins, because oral consent is never effective under this rule

C. Within a reasonable period, but in no event later than 90 days after the consent

D. Within a reasonable period, but in no event later than 30 days after the consent

19. Drusilla Camberwell publishes a written schedule of fees listing her hourly rates and a fixed fee for routine return preparation. Several of the listed engagements may generate additional charges, such as filing and copying costs. What does §10.30(b) require of her published fee information?

A. It must list the maximum total amount a client could possibly incur on each engagement
B. It must be filed with the Office of Professional Responsibility before it is published
C. It must disclose whether clients will be responsible for those additional incurred costs
D. It must exclude any service for which the total cost cannot be estimated in advance

20. Faustine Pflueger, an enrolled agent, receives a steady stream of client referrals from a marketing company that she knows obtains those clients through coercive telephone solicitation prohibited by §10.30. Pflueger performs all of the tax work herself. Is this arrangement permissible?

A. No, because she may not accept assistance from a person she knows solicits improperly
B. Yes, because the solicitation rules reach only her own advertising and public statements
C. Yes, provided that she independently verifies each referred client actually wanted representation
D. No, but only because she pays the marketing company a share of each collected fee

21. Gudrun Amirault holds principal authority over her firm's federal tax practice. She learns that several staff preparers have repeatedly disregarded the firm's due diligence procedures across two filing seasons, yet she takes no corrective step for a year. Under §10.36, what exposes her to discipline?

A. Any single procedural lapse by a firm employee, whether or not she knew about it
B. Knowing of a pattern of noncompliance and recklessly failing to correct it promptly
C. Her failure to personally review each return that the firm's staff preparers completed
D. The absence of a written compliance manual distributed to every employee of the firm

22. Emrys Caldicott, an appraiser, is disqualified under Circular 230 after notice and an opportunity for a hearing. A taxpayer later asks him to testify about a valuation in an administrative proceeding before the IRS. What is the effect of his disqualification?

A. He may testify freely but may not prepare appraisals used on any federal tax return
B. He may resume all appraisal work automatically once a two-year waiting period ends
C. He is barred from presenting evidence or testimony in Treasury and IRS proceedings
D. He is limited to appraisals that another qualified appraiser reviews and countersigns

23. In a Circular 230 disciplinary proceeding, the Administrative Law Judge grants the government's motion and orders enrolled agent Elspeth Wexcombe to produce specified documents. She ignores the order entirely and offers no explanation. Under §10.71, what may the judge do in response?

A. Infer that the material was adverse to her, exclude it, or decide by default
B. Refer the matter to a federal district court for civil contempt enforcement proceedings
C. Impose a monetary penalty equal to the gross income she derived from the engagement
D. Dismiss the complaint without prejudice and direct the government to refile the charges

24. The parties to a Circular 230 disciplinary proceeding cannot agree on where the hearing should be held, and no proposed location has been agreed to and approved by the Administrative Law Judge. Under §10.72, where will the hearing be conducted?

A. At the Internal Revenue Service office nearest the practitioner's principal place of business
B. At any location that the Office of Professional Responsibility unilaterally designates
C. By telephone or video conference, because no in-person location was agreed upon
D. In Washington, D.C., which the regulation supplies as the default hearing location

25. Flavian Brackenbury is sent proper notice of his Circular 230 disciplinary hearing but does not appear on the scheduled date and gives no explanation for his absence. Under §10.72, what consequence follows from his failure to appear?

A. The hearing is rescheduled once, and a second notice must be served on him personally
B. The government must still prove every allegation through live witness testimony at hearing
C. The complaint is held in abeyance until he can be located and served again personally
D. He waives the hearing, and the judge may decide against him by default

26. At a Circular 230 disciplinary hearing, government counsel offers several official Internal Revenue Service and Office of Professional Responsibility records into evidence without calling any employee to sponsor them. Under §10.73, how are records of that kind treated?

A. They are admissible without producing an officer or employee to authenticate them
B. They are admissible only if the respondent stipulates in advance to their authenticity
C. They are inadmissible unless a custodian of the records testifies under oath first
D. They are admissible only after the judge takes formal judicial notice of each one

27. During Dorotea Trevanion's disciplinary hearing, her counsel objects to a proposed exhibit and states the grounds, but the Administrative Law Judge overrules the objection. Counsel fears the ruling will not be reviewable later. Under §10.73, what more must counsel do to preserve the point?

A. Note a formal exception on the record immediately after the judge's adverse ruling
B. File a written motion asking the judge to reconsider before the record is closed
C. Nothing further, because no exception is necessary to preserve the parties' rights
D. Restate the objection within the post-hearing proposed findings and conclusions filed

28. The government timely appeals the Administrative Law Judge's decision in the case of enrolled agent Desta Talamantez, filing a notice of appeal with a brief stating its exceptions. Under §10.77, what may Talamantez do after receiving that brief?

A. Request an entirely new hearing on the merits before a different Administrative Law Judge
B. File a response brief within 30 days after receiving a copy of the appeal brief
C. File successive briefs answering each argument as the government develops it on appeal
D. Nothing, because only the party that filed the appeal may submit written argument

29. A suspended practitioner appeals the Administrative Law Judge's factual findings to the Treasury official who decides Circular 230 appeals. Under §10.78, what must the appellant demonstrate in order to obtain reversal of those factual findings?

A. That the findings rest on evidence that a federal district court would have excluded
B. That substantial evidence in the record could have supported a contrary result instead
C. That the judge abused his discretion in weighing the credibility of the witnesses
D. That the findings are clearly erroneous in light of the record and applicable law

30. Fionnuala Skarsgard's brief written advice on a single deduction question is challenged by the IRS as inadequate. She responds that the client asked one narrow question and that the engagement was expressly limited to it. Under §10.37, how will her written advice be evaluated?

A. By whether her advice reached the conclusion the IRS ultimately adopted on examination
B. By a strict liability standard that disregards the limitations of the written engagement
C. By a reasonable practitioner standard that considers the scope of the engagement
D. By whether a formal covered opinion disclaimer accompanied the written advice given

31. An Administrative Law Judge concludes a Circular 230 disciplinary proceeding and enters a written decision in the case. Under §10.76, which of the following must that decision contain?

A. Findings, conclusions, the reasons supporting them, and an order or a dismissal
B. A sanction recommendation that the Office of Professional Responsibility then adopts or rejects
C. A summary of the testimony, with findings included only if a party requested them
D. A certification that the practitioner exhausted every available administrative remedy first

32. Hedda Trelawney signs a Form 8821 on March 3 naming her bookkeeper to receive her 2024 account transcripts, but the form is not mailed until August and reaches the CAF unit on August 20. Assuming this is an ordinary authorization recorded on the CAF, how will the IRS treat it?

A. It will be processed, because a signed Form 8821 carries no submission deadline at all.
B. It will be rejected, because the IRS must receive it within 120 days of signing.
C. It will be processed, but only for tax periods ending before the signature date shown.
D. It will be accepted only if a Form 2848 for the same year accompanies it.

33. While examining Kwabena Oduya's Schedule C, the revenue agent proposes to reconstruct income using financial status and economic reality examination techniques, although nothing developed so far suggests that any income was omitted. What does IRC §7602(e) provide?

A. The agent may not use those techniques absent a reasonable indication of unreported income.

B. The agent may use those techniques in any examination of a sole proprietorship return.

C. The agent may use them only after summoning records from the taxpayer's financial institution.

D. The agent may use them whenever the taxpayer's books are incomplete or poorly organized.

34. An IRS examiner issues an administrative summons directing a person to appear and produce records. Under IRC §7605(a), what limitation governs the date fixed for that appearance?

A. It must be at least 30 days after the summons is served on the person.

B. It must fall within 5 business days so the examination is not unduly delayed.

C. It may not be less than 10 days from the date of the summons.

D. It rests entirely with the examiner, subject only to the summoned person's consent.

35. Ianthe Duchesne applies for a Taxpayer Assistance Order while an unresolved examination account problem continues to cause her significant hardship. What effect does the pending application have on limitations periods under IRC §7811(d)?

A. It permanently extinguishes any assessment period that would otherwise expire during the case.

B. It has no effect, because only a signed Form 872 can ever affect limitations.

C. It shortens the remaining assessment period to one year from the application date.

D. It suspends the running of the applicable period until the Advocate decides the matter.

36. Konrad Fanshawe is treasurer of a church that receives IRS correspondence opening an inquiry into whether part of its activity generates taxable income. Under IRC §7611, what must occur before such a church tax inquiry may begin?

A. The Tax Court must approve the proposed inquiry before any contact with the church.

B. An appropriate high-level Treasury official must give written notice based on reasonable belief.

C. The church's governing board must consent in minutes recorded before the examination opens.
D. A summons must be served on the denomination's national headquarters identifying the concerns.

37. Halvard Papadakis holds a valid Form 2848 for a client under examination, but he repeatedly cancels scheduled meetings and withholds requested records, stalling the case for months. Under IRC §7521(c), what may the revenue agent do?

A. Immediately disbar the representative from practice without any referral or hearing process.
B. Treat the Form 2848 as automatically revoked and remove it from the CAF.
C. Summon the representative and compel the taxpayer to appear personally at the interview.
D. Contact the taxpayer directly, bypassing the representative, with the immediate supervisor's approval.

38. Jocasta Lonsdale, whose adjusted gross income is well below $400,000, receives a statutory notice of deficiency and asks that her case be referred to the Independent Office of Appeals. The IRS denies the request. Under IRC §7803(e), what is she entitled to receive?

A. A written notice stating the basis for the denial and how to protest it.
B. An automatic Appeals conference scheduled within thirty days despite the denial of referral.
C. A refund of any deficiency amount attributable to the adjustment she wanted reviewed.
D. An immediate transfer of her entire case file to the Taxpayer Advocate Service.

39. Kester Hargreaves asks his enrolled agent whether the Independent Office of Appeals can simply settle his disputed adjustment for a token amount so the matter goes away quickly. Which statement correctly describes Appeals settlement practice?

A. Appeals must settle any case for a token amount whenever litigation would cost more.
B. Appeals will not settle a case based on its nuisance value to either party.
C. Appeals may settle only when the taxpayer concedes every other proposed adjustment first.
D. Appeals settles only cases in which litigation hazards clearly favor the government's position.

40. Ilse Yeardley is completing line 3 of a client's Form 2848 and wants to list several future income tax periods so that a fresh authorization will not be needed each year. What limitation applies to future periods?

A. Future periods may not be listed at all; only periods already ended may appear.
B. Future periods may be listed for up to ten years following the taxpayer's signature date.
C. Future periods may not end more than three years after the IRS receives the form.
D. Future periods may be listed only if the client signs a companion Form 8821.

41. Immanuel Zarembo is appointed to act as fiduciary for both a decedent's estate and a separate testamentary trust, each with its own federal filing requirement. What does Form 56 require of him?

A. One Form 56 listing both entities satisfies the notice requirement for each of them.
B. A separate Form 56 must be filed for each entity for which he acts.
C. No filing is needed, because his letters of appointment already notify the IRS.
D. A single Form 2848 signed by the probate court replaces the fiduciary notice.

42. The IRS serves a summons on a bank for records of an account belonging to Hobart Delahaye. The summons was issued to aid collection of a liability already assessed against Hobart himself. Which statement about notice is correct?

A. Notice must be given within three days, and Hobart may then petition to quash.
B. Notice is required only if the summons reaches records older than three tax years.
C. Notice is required, but the period for petitioning to quash shortens to ten days.
D. No advance notice is required, because the summons aids collection of an assessed liability.

43. IRC §7522 requires certain IRS notices to describe the basis for the amounts they assert. What is the consequence if a notice falls short of that requirement?

A. The notice must describe the basis for the tax and identify the amounts asserted.
B. An inadequate description automatically voids the notice and bars any assessment for that year.
C. The requirement applies only to notices issued at the conclusion of a field examination.

D. The requirement obliges the IRS to enclose the examiner's complete workpapers with the notice.

44. What must the National Taxpayer Advocate's annual report to Congress identify?

A. It is prepared jointly with the Commissioner and is limited to collection matters only.
B. It goes to the Treasury Secretary, who edits it before congressional committees receive it.
C. It identifies at least twenty of the most serious problems encountered by taxpayers.
D. It is issued only in years when a Taxpayer Assistance Order has been granted.

45. Jorunn Carraway timely petitions the United States Tax Court after receiving a statutory notice of deficiency for her 2023 return. She later asks whether she may also pay the disputed tax and sue for a refund in district court for that same year.

A. Yes, provided she pays the full amount before the Tax Court enters its decision.
B. Yes, because refund suits and deficiency proceedings involve entirely separate statutory rights.
C. Yes, but only as to penalties, since the Tax Court cannot determine penalty amounts.
D. No, the Tax Court petition generally bars a later refund suit for that year.

46. Kalinda Mortenson refuses to comply with a summons issued during the examination of her return, and the government asks a federal district court to enforce it. Under the Powell standard, what must the IRS show?

A. That she acted willfully and that a criminal prosecution is actively being contemplated.
B. A legitimate purpose, relevant material, information not already possessed, and proper administrative steps.
C. That every informal request for the same records was refused on at least two occasions.
D. That the court has already determined the underlying tax liability to be correct.

47. A Notice of Federal Tax Lien has been filed against Lisandra Threlkeld for assessed income tax. She later sells a used dining set at a weekend yard sale for $600 to a neighbor who knows nothing about the lien. Under §6323(b)(4), how is the neighbor's interest treated?

A. The lien follows the furniture, because a filed notice gives every later purchaser constructive notice of the claim.
B. The neighbor takes free of the lien only after recording the bill of sale with the county recording office.
C. The neighbor takes the furniture free of the lien, having paid below the indexed limit without actual notice.
D. The neighbor takes free of the lien only if the seller certifies in writing that no assessment is outstanding.

48. A business owner who owes several quarters of employment tax mails a partial payment with written instructions that it be applied to the trust fund portion of one specific quarter. How must the IRS treat that payment?

A. It must apply the payment as directed, because a taxpayer may designate the application of a voluntary payment.
B. It must apply the payment to the oldest assessed quarter first, because designation requests are merely advisory.
C. It may apply the payment however it chooses, because employment tax payments can never be designated by a taxpayer.
D. It must apply the payment to the non-trust-fund portion first, in order to preserve the trust fund recovery penalty.

49. Nolwenn Fairbrass owns a home jointly with her brother, who owes no federal tax. The government files suit under §7403 to enforce its lien against her interest in that property. What may the district court order?

A. Only Nolwenn's fractional interest may be sold, because a court cannot reach a non-liable owner's share.
B. The entire property may be sold, with the brother paid his share of the resulting sale proceeds.
C. The property may be sold only if the brother separately consents in writing to the proposed judicial sale.
D. The property may not be sold at all, because jointly held real estate lies beyond the lien's reach.

50. Malachi Vosburgh may be liable for the trust fund recovery penalty on employment taxes reported on his corporation's Forms 941 for the four quarters of 2024, each return having been filed on time. When does the period for assessing that penalty against him generally expire?

A. Three years after the date on which each individual quarterly return for 2024 was actually filed.

B. Ten years after the corporation's employment tax liability for each 2024 quarter was formally assessed.

C. Three years after the unextended due date of each quarterly return, measured separately for each quarter.

D. April 15, 2028, because the 2024 quarterly returns are deemed filed on April 15, 2025.

51. Linnea Hollingbery submits a proposed installment agreement that the IRS rejects, and she appeals the rejection within 30 days. Under §6331(k)(2), when may the Service levy on her property?

A. At any time during the process, because only a pending offer in compromise bars levy under this provision.

B. Immediately upon rejecting her proposal, because an appeal of the rejection carries no protection from levy.

C. Not while the proposal is pending, not for 30 days after rejection, and not during her appeal.

D. Not for 90 days following the rejection notice, after which levy may resume without any further restriction.

52. Nerissa Stoltzfus receives Letter 1153 proposing a trust fund recovery penalty against her and, after meeting with the revenue officer, signs Form 2751. What is the effect of that signature?

A. She agrees to the proposed assessment and gives up the 60-day protest to the Office of Appeals.

B. She merely acknowledges receiving the proposal letter and preserves every administrative appeal right she previously had.

C. She requests a conference with the Office of Appeals and suspends assessment until that conference has concluded.

D. She consents to extend the assessment period for the proposed penalty by one additional calendar year.

53. A private collection agency working an inactive tax receivable assigned under §6306 reaches a taxpayer who is willing to pay the balance over time. What may that agency do?

A. Offer an installment agreement providing full payment within seven years, with payments made to the Treasury.

B. Offer an installment agreement of any length and accept the monthly payments directly on its own behalf.

C. Offer an installment agreement of up to three years and file a lien notice if payments stop.

D. Offer an installment agreement only after first issuing its own final notice of intent to levy.

54. Leontyne Cadwallader's seriously delinquent tax debt was certified to the State Department under §7345, and her passport application was denied. She then enters into an installment agreement that the IRS approves. What must the Service do?

A. Nothing further, because a certification remains in place until the certified balance is paid in full.

B. Reverse the certification and notify the State Department within 30 days of the approved agreement.

C. Reverse the certification only after she has made twelve consecutive timely payments under the agreement.

D. Notify the State Department within five business days, but only after she formally requests reversal.

55. Lorcan Wingrave filed his individual return by the due date but could not pay the balance, and he has now entered into an approved installment agreement. What happens to the failure-to-pay penalty while that agreement remains in effect?

A. It stops accruing altogether for each month the agreement remains in good standing.

B. It continues at the full rate, because an installment agreement never affects penalty accrual.

C. It accrues at 0.25 percent per month rather than the usual 0.5 percent rate.

D. It rises to 1 percent per month because collection required a formal payment arrangement.

56. Morwenna Tillinghast received a Chapter 7 discharge covering an older income tax liability, but the IRS had filed a Notice of Federal Tax Lien well before she filed her bankruptcy petition. What is the effect of the discharge on that lien?

A. The discharge extinguishes the lien together with her personal liability for the discharged tax year.

B. The lien survives but attaches only to property she acquires after the bankruptcy case is closed.

C. The lien must be released within 30 days, because the discharged debt is no longer enforceable.

D. The lien survives and remains enforceable against property she owned when the petition was filed.

57. Equipment seized from Nikolina Sowerby is sold at public auction and brings in more money than the IRS expected. Under §6342, how are the proceeds of that sale applied?

A. First to the assessed tax, then to seizure expenses, with any remainder credited against future liabilities.

B. Entirely to the assessed tax, penalties, and interest, with any excess retained by the federal government.

C. First to the expenses of levy and sale, then to the liability, with any surplus refunded.

D. Proportionally between seizure expenses and the liability, with any surplus applied to the next open year.

58. Lemuel Dunwoody argues that his state's unusually generous personal property exemption statute shields his shop equipment from an IRS levy, since a local creditor could not touch it. How does federal law treat that argument?

A. State exemption law controls, because a levy reaches only property that a state creditor could reach.

B. State exemption law controls if the state adopted those exemptions before the federal tax was assessed.

C. State and federal exemptions both apply, and the taxpayer may elect whichever of the two is larger.

D. State exemption law does not apply, because §6334 lists the only property that is exempt from levy.

59. An offer in compromise is returned to the taxpayer because required estimated tax payments for the current year were never made. How does a returned offer differ from a rejected offer?

A. A returned offer may be appealed to the Office of Appeals within 30 days, while a rejection may not.

B. A returned offer carries no appeal rights, while a rejection may be appealed to the Office of Appeals.

C. A returned offer suspends the collection statute of limitations, while a rejected offer has no such effect.

D. A returned offer requires a second application fee, while a rejection allows one free resubmission of the offer.

60. Merritt Vandenbrouck's collection statute expiration date is approaching, and the government files suit and obtains a judgment against him for the unpaid assessed tax before that date arrives. What is the effect on collection?

A. Collection may continue on that judgment well beyond the original ten-year collection period.
B. Collection must still cease on the original expiration date, because the judgment adds nothing.
C. Collection is limited to one additional year measured from the date of the judgment.
D. Collection may proceed only against property the government identified before filing the suit.

61. Osbourne Thistlethwaite mailed the IRS a $900 check to pay his balance due, and the bank returned the check unpaid for insufficient funds. Under IRC §6657, how is the penalty for that dishonored payment computed?

A. The lesser of $25 or the amount of the check, because the payment was under $1,250
B. Two percent of the check amount, the rate that applies to every dishonored payment
C. A flat $100 charge assessed for each instrument the bank returns to the Service unpaid
D. Five percent of the check amount, matching the failure-to-pay rate for the month involved

62. Pellegrina Vandenbrook has an assessed balance she has never paid, and the IRS has now issued her a final notice of intent to levy under §6331(d). Under IRC §6651(d), what happens to her failure-to-pay penalty?

A. It stops accruing entirely once the levy notice has been issued to the taxpayer
B. It continues at one-quarter of one percent monthly until the balance is fully satisfied
C. It rises to one percent monthly for months beginning more than ten days after that notice
D. It converts into a flat 25 percent addition assessed on the remaining unpaid balance

63. Quenby Hollingsworth gave her employer a Form W-4 certifying an exemption from withholding that had no reasonable basis, and far too little tax was withheld from her wages. Which civil penalty applies to that certificate?

A. $250 under §6682, imposed for each pay period the false certificate remained in effect
B. $500 under §6682, imposed for furnishing false withholding information without reasonable basis
C. $1,000 under §6702, because a false Form W-4 is a specified frivolous submission
D. $5,000 under §6702, because the statement understated the tax required to be withheld

64. A calendar-year corporation reported taxable income of $4 million two years ago and is now computing its required estimated tax installments. Under IRC §6655(d)(2), how does its status as a large corporation affect the prior-year safe harbor?

A. It may rely on the prior year's tax for every installment, provided each one is timely paid
B. It may rely on the prior year's tax only if current-year taxable income is lower than before
C. It loses the prior-year safe harbor entirely and must annualize income for all four installments
D. It may use that safe harbor only for the first installment, recapturing the shortfall in the second

65. An examiner concludes that Roswitha Faircloth's return contains a substantial valuation misstatement, but the portion of the underpayment attributable to that misstatement is only $3,800. Under IRC §6662(e)(2), what is the result?

A. The 20 percent penalty applies, since the reported value exceeded 150 percent of correct value
B. The 40 percent gross valuation penalty applies because the misstatement exceeded 200 percent
C. No valuation misstatement penalty applies, since the attributable underpayment is under $5,000
D. The penalty applies but is limited to 10 percent of the attributable portion of the underpayment

66. Sunniva Pennebaker omitted income earned in a foreign brokerage account and also failed to disclose that account on any required information return. What accuracy-related penalty rate applies to the resulting understatement?

A. 20 percent, the standard rate applied to any accuracy-related understatement of income tax
B. 40 percent, because the understatement is attributable to an undisclosed foreign financial asset
C. 50 percent, matching the willfulness standard used for foreign bank account reporting violations
D. 75 percent, because nondisclosure of a foreign account is conclusive proof of civil fraud

67. Oriel Sotherby knowingly assembled a schedule of fabricated expenses understanding that it would be used on a client corporation's income tax return. Under IRC §6701, what penalty amount attaches to that single document?

A. $1,000, the flat amount imposed regardless of the type of taxpayer whose return is involved
B. $5,000, the amount mirroring the willful understatement penalty imposed on paid preparers
C. $1,000 for each separate false entry appearing anywhere within the fabricated expense schedule
D. $10,000, the increased amount applying when the document relates to a corporation's return

68. IRC §6702 authorizes a $5,000 penalty for a frivolous tax return or a specified frivolous submission. What does §6702(c) specifically require of the Service regarding the positions treated as frivolous?

A. It must prescribe, and periodically revise, a published list identifying frivolous positions
B. It must obtain Tax Court approval before treating any additional position as frivolous
C. It must warn each taxpayer individually before any frivolous position penalty is assessed
D. It must limit frivolous positions to those already rejected in published appellate decisions

69. Phineas Grimsditch signed a Form 870 waiving the restrictions on assessment of a proposed deficiency, but the IRS did not issue a notice and demand for payment until 75 days later. Under IRC §6601(c), what is the interest consequence?

A. Interest is eliminated for the entire period running from the deficiency's original due date
B. Interest is not imposed for the period beginning after the thirtieth day following the waiver
C. Interest continues running without interruption, since the waiver merely accelerates assessment
D. Interest is suspended only where the delay exceeded eighteen months from the filing date

70. Quirino Oxenford's assessment period for 2021 was set to expire on April 15, 2025. On March 20, 2025, he sent the IRS a signed document showing an additional amount of tax owed for that year. Under IRC §6501(c)(7), what follows?

A. The signed document has no effect, because only a Form 872 can extend an assessment period

B. The entire assessment period reopens for three additional years from the document's receipt

C. The period for assessing that additional amount runs 60 days from the Service's receipt of it

D. The period is extended six years, the rule applying whenever additional tax is later reported

71. Rhoswen Cullingworth filed a refund claim after the three-year period of §6511(a) had already closed, but her claim was still timely under the alternative two-year rule. What ceiling applies to the amount she can actually recover?

A. Only tax paid during the two years immediately preceding the filing of that claim

B. Only tax paid during the three years immediately preceding the filing of that claim

C. Only amounts withheld from wages, since withholding is deemed paid on the due date

D. No ceiling applies, because a timely claim permits recovery of the entire overpayment

72. The ten-year collection period of IRC §6502 generally cannot be lengthened by a taxpayer's written agreement. Which statement correctly describes the narrow circumstance in which such an extension agreement remains permissible?

A. It is permitted whenever the taxpayer signs it before the ten-year collection period expires

B. It is permitted whenever the taxpayer submits an offer in compromise that the IRS accepts

C. It is permitted only while a collection due process hearing request remains pending on appeal

D. It is permitted with an installment agreement, running to 89 days beyond the agreed period

73. Serafima Tarkington lives in a community property state, filed a separate return, and did not report her half of her husband's business income because she had no knowledge of it whatsoever. Which provision offers her relief from that liability?

A. IRC §66(c), which relieves a separate filer of tax on unreported community income

B. IRC §6015(b), which relieves a joint filer of tax attributable to a spouse's erroneous item

C. IRC §6015(c), which allocates a joint deficiency between spouses who are no longer married

D. IRC §6013(e), which grants innocent spouse relief on separately filed community returns

74. Placidia Wethersfield submitted Form 8857 requesting innocent spouse relief for a joint return she had filed with her former husband. What obligation does the IRS owe her former husband during the administrative process?

A. It must obtain his written consent before any relief may be granted to the requesting spouse
B. It must keep the request confidential from him under the disclosure rules of IRC §6103
C. It must transfer the entire remaining liability to him once relief is preliminarily approved
D. It must notify him and give him an opportunity to participate in the administrative proceeding

75. Sindre Nunnelly filed a whistleblower claim built principally on allegations that had already been made public in a government audit report and in news coverage. How does that affect any award under IRC §7623(b)?

A. The claim is barred entirely, because publicly disclosed allegations cannot support any award
B. The award remains within the standard range of 15 to 30 percent of the collected proceeds
C. The Whistleblower Office may award no more than 10 percent of the collected proceeds
D. The award is reduced by half, leaving a maximum of 15 percent of the collected proceeds

76. Orinthia Ormsbee received a $400,000 award under IRC §7623(b) and paid her attorney a contingent fee out of those proceeds. How are the award and the attorney fees treated for her federal income tax purposes?

A. The award is excluded from gross income, so the attorney fees provide no separate benefit
B. The award is included in gross income, and the fees are deductible above the line
C. The award is included in gross income, and the fees are a miscellaneous itemized deduction
D. The award is taxed as capital gain, and the fees increase her basis in the underlying claim

77. Peregrine Vashchenko discovered that someone had filed a fraudulent corporate return using his company's employer identification number. Which form does the business file to report that identity theft to the IRS?

A. Form 14039-B, the business identity theft affidavit filed with the Service

B. Form 14039, the individual identity theft affidavit used by all filers
C. Form 4506-F, the request for a copy of a fraudulently filed return
D. Form 8822-B, the notice reporting a change of responsible party

78. An IRS employee willfully discloses a taxpayer's return information to an unauthorized person. Beyond any civil damages the taxpayer may recover, what criminal consequence does IRC §7213 impose for that willful disclosure?

A. A misdemeanor punishable by a fine of up to $1,000 and imprisonment for up to one year
B. A felony punishable by up to $5,000 and five years, plus dismissal from federal office
C. A felony punishable by up to $250,000 and ten years, plus permanent debarment from practice
D. A civil sanction only, since criminal treatment is reserved for disclosures made for profit

79. Federal prosecutors investigating Romilly Zabriskie for a non-tax federal offense want the IRS to hand over her filed returns. Under IRC §6103(i)(1), what must they secure before the Service may make that disclosure?

A. A written request signed by the United States Attorney handling the criminal investigation
B. A grand jury subpoena directed to the IRS office holding the taxpayer's account records
C. An ex parte order issued by a federal district court judge or magistrate judge
D. A determination by the IRS Whistleblower Office that disclosure serves the public interest

80. Willfulness is an element the government must prove for the criminal offenses in IRC §§7201, 7203, and 7206. How have the courts defined that element in federal criminal tax cases?

A. A failure to exercise the care that a reasonably prudent taxpayer would have exercised
B. A pattern of repeated noncompliance sufficient to show reckless disregard of the tax laws
C. Any intentional act that results in an understatement, whether or not the law was known
D. The voluntary, intentional violation of a known legal duty owed under the tax laws

81. Sorrel Larkindale willfully failed to report his foreign accounts, and the government pursued criminal charges under the Bank Secrecy Act rather than a civil penalty. Under 31 U.S.C. §5322, what maximum penalties attach to a willful violation?

A. A fine of up to $10,000 and imprisonment for up to one year for each unfiled report
B. A fine equal to half the highest account balance, with no term of imprisonment available
C. A fine of up to $250,000 and imprisonment for up to five years for the willful violation
D. A fine of up to $100,000 and imprisonment for up to three years for the willful violation

82. Ruslana Mossbrucker never filed the required information return for her controlled foreign corporation, and the IRS has already assessed the $10,000 monetary penalty. Under IRC §6038(c), what additional consequence applies to her?

A. Her foreign-source income is recharacterized as domestic income for the years at issue
B. The foreign taxes otherwise available for the foreign tax credit are reduced by 10 percent
C. The controlled foreign corporation's accumulated earnings become currently taxable in full
D. Her assessment period for the entire return remains open for an additional ten years

83. Septimus Drakenfeld wants to use his clients' tax return information to market an unrelated investment product. Under the regulations implementing IRC §7216, when must he obtain each client's written consent?

A. Before he discloses or uses the information, and before delivering the completed return
B. Before he transmits the information, but any time within the calendar year of preparation
C. After delivering the completed return, so the client can first evaluate the finished work
D. At any point before the client's return is examined or otherwise selected by the Service

84. A taxpayer served with an IRS administrative summons simply neglects to appear or to produce the records demanded, and never moves to quash the summons. Under IRC §7210, what criminal exposure does that neglect create?

A. A felony punishable by a fine of up to $25,000 and imprisonment for up to three years

B. No criminal exposure at all, because summons enforcement is exclusively a civil judicial remedy
C. A felony punishable by a fine of up to $100,000 and imprisonment for up to five years
D. A misdemeanor punishable by a fine of up to $1,000 and imprisonment for up to one year

85. Torvald Mistlebrook, a specified tax return preparer, received IRS approval of his Form 8944 undue hardship waiver covering the current calendar year. Which statement correctly describes the scope of that approved waiver?

A. The waiver stays in effect indefinitely until the IRS revokes it in writing.
B. The waiver excuses him for three consecutive calendar years without any further action.
C. The waiver covers only the calendar year requested, so he must reapply each year.
D. The waiver transfers automatically to any firm that later acquires his tax practice.

86. Ulric Vandersteen, age fifteen, has never filed a federal income tax return, but he must file one this year and wants to submit it electronically. Which statement correctly describes his signature options?

A. He cannot use the Self-Select PIN method and must instead sign through another authorized option.
B. He may use the Self-Select PIN by entering zero as his prior year adjusted gross income.
C. He may use the Self-Select PIN only after obtaining an Identity Protection PIN from the IRS.
D. He must file on paper because no electronic signature method is available to a minor.

87. Undine Halberstam operates a small e-file practice and discovers that an intruder has stolen client tax data from her office computers. Under IRS guidance for Authorized e-file Providers, what should she do?

A. Notify only her professional liability carrier, because the IRS handles all taxpayer notification.
B. Wait until the season closes, then note the incident on her annual application update.
C. Report the theft solely to local police, since the IRS accepts only client-filed complaints.
D. Report the incident promptly to her IRS Stakeholder Liaison and to state tax agencies.

88. A transmitter located in the Pacific time zone assigns an electronic postmark of 9:30 p.m. on April 15 to a return filed by a taxpayer who lives in the Eastern time zone. How is timeliness determined?

A. The postmark is disregarded, and the date the IRS acknowledges acceptance controls instead.
B. The postmark is adjusted to the taxpayer's time zone, making the return filed late.
C. The postmark controls in the transmitter's own time zone, so the return is timely.
D. The postmark is measured in Coordinated Universal Time, so the return is still timely.

89. Vashti Ockendon's payroll firm wants authority to sign and electronically file its clients' quarterly Forms 941 as a Reporting Agent. Which form must each client execute to grant that authority?

A. Form 8879-EMP
B. Form 2848
C. Form 8655
D. Form 8453-EMP

90. Wrenna Pellingham must file a Form 709 gift tax return but has already filed her Form 1040 for the year and now needs additional time only for the gift tax return. Which statement is correct?

A. She must file Form 4868, which extends a gift tax return only when filed late.
B. She should file Form 8892 to obtain an automatic six-month extension for Form 709.
C. She should file Form 7004, which covers gift tax returns and other non-income returns.
D. She cannot extend Form 709 separately, so that return remains due without any request.

91. After paying foreign income taxes several years ago, Waldemar Ysenbrandt now wants to file an amended return claiming a foreign tax credit for that earlier year. Which limitation period governs his refund claim?

A. Three years from the date the original return for that year was actually filed.
B. Two years from the date the foreign country finally assessed the tax against him.
C. Seven years from the due date of that return, as with worthless securities claims.
D. Ten years from the due date of the return for the year taxes were paid.

92. Zebulon Kirklees lives outside a federally declared disaster area, but the records he needs to meet a filing deadline sit in his accountant's office inside the covered area. How does he obtain relief?

A. Call the IRS disaster hotline to request relief, since it is not applied automatically.
B. File Form 8944 explaining the hardship created by his loss of access to records.
C. Attach a written statement to a late return, which secures the postponement retroactively.
D. Do nothing, because the IRS automatically identifies every taxpayer whose accountant is affected.

93. Following a federally declared disaster, a taxpayer needs copies of previously filed returns in order to document casualty losses. Which statement correctly describes obtaining those copies from the IRS?

A. Writing the disaster designation in red at the top of the request waives the usual fee.
B. Copies are unavailable during a disaster period, so only account transcripts may be ordered.
C. The taxpayer must first file an amended return before the IRS releases any prior year copies.
D. The usual fee still applies, but the request is processed within three business days.

94. Tullia Brambleworth has operated a sole proprietorship for years under one employer identification number. She now incorporates that business under state law. Which statement correctly describes her obligation?

A. She keeps the existing number, because the same individual continues to own the business.
B. She keeps the existing number and files Form 8822-B to report the structural change.
C. She needs a new number only if the corporation elects to be taxed as an S corporation.
D. She must apply for a new number, because incorporating creates a separate legal entity.

95. While completing Form W-7 for his dependent child, Verner Aldebrand asks which supporting documents the IRS will accept with the application. Which statement is correct?

A. Notarized photocopies of any two documents are acceptable when a notary seal appears on each.
B. A birth certificate alone always suffices for a dependent regardless of where the child lives.
C. A passport stands alone, though a dependent's generally must show a United States entry date.
D. Only documents issued within the previous twelve months may be submitted with the application.

96. Zilpha Rookwood owes an unusually large balance and plans to pay it by paper check. Which statement correctly describes the Internal Revenue Service rules governing check payments?

A. Checks must be made payable to the Internal Revenue Service and may be any amount.
B. A single check of one hundred million dollars or more must be split into several.
C. Any check above one million dollars must be certified by the issuing bank before mailing.
D. Paper checks are no longer accepted for any balance above ten thousand dollars annually.

97. Expecting a refund from an amended return, Tavish Lindenmayer asks whether that refund can reach him by direct deposit rather than by mail. Which statement is correct?

A. Direct deposit is available for an amended refund only when the original return was mailed.
B. Direct deposit is never available on an amended return, which always produces a paper check.
C. Direct deposit is available when the amended return is filed electronically, but not on paper.
D. Direct deposit is available for an amended return only when Form 8888 is attached to it.

98. Tybalt Quillingham, a specified tax return preparer, transmits a client's return three times, and every attempt is rejected for a condition he cannot resolve. He finally files the return on paper. What must he do?

A. Request an undue hardship waiver before that paper return may be mailed to the IRS.
B. Attach a copy of each rejection acknowledgment to the front of the paper return.
C. Do nothing further, because a rejected return is exempt from the electronic filing mandate.
D. Attach Form 8948 showing the reject code and the number of attempts he made.

99. For an earlier tax year, Ulyana Ravenscliffe and her husband each filed separate returns by the April due date. They now want to amend and file jointly instead. Which statement describes the deadline?

A. They may change to a joint return at any time before the IRS assesses additional tax.
B. They must file the joint return within three years of the original due date, excluding extensions.

C. They must file within two years of the date the last separate return payment was made.

D. They may never change from separate returns to a joint return once either return is filed.

100. Living and working abroad, Volker Quiddington used the automatic two-month extension, then filed Form 4868, and still cannot complete his return. Which statement correctly describes his remaining option?

A. He may request an additional two months by letter, granted at the IRS's discretion.

B. He may file a second Form 4868, which grants another automatic six-month extension period.

C. He must file Form 2350, which is available to any taxpayer whose home is abroad.

D. He has exhausted every extension, so his return is due on the usual October deadline.

Answer Key and Explanations — Practice Exam 40, Part 3: Representation, Practices, and Procedures

1. B — Candidates must cancel or reschedule at least 48 hours before the appointment time. Bronwyn's Thursday afternoon cancellation falls inside that window, so the fee for that part is forfeited and she must register and pay again. No courtesy waiver, partial credit, or transfer of a reserved seat to another candidate exists.

2. C — Obtaining a preparer tax identification number is the first step toward the credential, and no candidate may register or schedule an examination part without one. Form 23 and the enrollment number come later, after all three parts are passed. Authorization file numbers and sponsorship letters play no role in examination registration.

3. A — Admission requires valid, unexpired, government-issued identification bearing a photograph and signature, with the name matching the registration record exactly. Briony's expired passport fails that standard, so she is turned away and loses the fee paid for that part. A credit card is not acceptable identification, and no waiver procedure exists.

4. D — Form 8945 is the supplemental application for United States citizens who have no Social Security number because of a conscientious religious objection, and it accompanies Form W-12 with supporting documentation. Form 8946 serves foreign persons instead. An individual taxpayer identification number never substitutes, and compensated return preparation always requires a PTIN.

5. B — The requirement reaches individuals compensated for preparing all or substantially all of a federal tax return or refund claim. The Service publishes a list of excluded forms that includes the Forms

W-2 and 1099 series, along with Forms SS-4, W-7, 2848, and 8821. Volume prepared and filing month are irrelevant.

6. C — Exempt individuals skip the six-hour Annual Federal Tax Refresher course and its comprehension test, completing fifteen hours instead: three hours of federal tax law updates, ten hours of other federal tax law, and two hours of ethics. The larger eighteen-hour package that includes the refresher course applies only to non-exempt preparers.

7. D — The Record of Completion is issued for one filing season only. Required hours must be completed by December 31 of the preceding year, and the preparer must also renew the identification number and consent again to Circular 230 obligations. The program creates no permanent credential and no multiyear cycle resembling enrollment renewal.

8. A — Circular 230 section 10.4(e) provides that enrollment or authorization to practice may be granted only to natural persons. Individual staff members qualify by passing the examination or through former Internal Revenue Service employment, but the firm itself has no independent enrolled status. Entity form, user fees, and designated representatives change nothing.

9. C — Section 10.6(e) defines an enrollment year as January 1 through December 31 of each year of an enrollment cycle, and defines the cycle as the three successive enrollment years preceding the effective date of renewal. Continuing education hours are therefore tracked by calendar year, not from the enrollment card issuance date.

10. B — Renewal applications are filed between November 1 and January 31 of the applicable third year, and the renewed enrollment becomes effective the following April 1. The April through June window described in another choice belongs to enrolled retirement plan agents. Filing late risks placement in inactive status rather than prompt renewal.

11. D — Section 10.7(c)(2)(i) bars any individual under suspension or disbarment from engaging in limited practice, including the full-time employee category Cosima hopes to use. Disclosure to the revenue agent, her salary arrangement, and her controller title are all irrelevant while the sanction stands. The company must arrange for another eligible representative instead.

12. A — Section 10.7(b) states that individuals may participate in rulemaking as provided by the Administrative Procedure Act, so commenting on proposed regulations or testifying at a public hearing requires no credential, enrollment, or identification number. Circular 230 practice limitations govern representation of taxpayers in particular matters, not participation in the regulatory process.

13. A — A mailed Form W-12 generally takes about four to six weeks to process, while the online application usually produces a number in roughly fifteen minutes. Caius risks entering the filing season without a valid number. No temporary number is issued while an application is pending, and paper filings face no seasonal restriction.

14. C — Section 10.2(a)(4) defines practice to include rendering written advice concerning any entity, transaction, plan, or arrangement having a potential for tax avoidance or evasion, together with corresponding with the Service and representing taxpayers at conferences and meetings. Financial statement audits, bookkeeping, and state entity filings involve no presentation to the Service.

15. D — Section 10.7(c)(1) permits limited practice even when the taxpayer is absent, provided the individual presents satisfactory identification and proof of authority to represent that taxpayer, and a general partner falls within the listed categories. Signatures from every partner, evidence of a majority capital interest, and a written compliance promise are not conditions.

16. B — A candidate pays a nonrefundable fee for each examination part when the appointment is scheduled, and every retake of a part requires paying that fee again. Failing a part, passing earlier parts, or testing entirely within one window does not reduce or refund the charge, so budgeting for retakes is realistic.

17. B — Section 10.25(b)(4) bars a former Government employee, for one year after employment ends, from communicating with or appearing before any Treasury employee with intent to influence the publication, withdrawal, amendment, modification, or interpretation of a rule she helped develop. The bar runs one year, not two, and it is not permanent.

18. D — Section 10.29(b)(3) allows informed consent to be confirmed in writing after the fact, but the confirmation must come within a reasonable period and in no event later than 30 days. Oral consent is therefore effective at the outset, and the outer limit for that confirmation is 30 days rather than 90 days.

19. C — Section 10.30(b) permits publishing fixed fees for specific routine services, hourly rates, ranges of fees, and the fee for an initial consultation. Any fee statement covering matters in which costs may be incurred must disclose whether the client is responsible for those costs. No advance filing with the Office of Professional Responsibility is required.

20. A — Section 10.30(d) prohibits a practitioner, in matters related to the IRS, from assisting or accepting assistance from any person who, to the practitioner's knowledge, obtains clients or practices in a manner forbidden by the solicitation rules. The violation turns on her knowledge, not on how the referral company is compensated.

21. B — Section 10.36(b) reaches a practitioner with principal authority who knows or should know that firm members engaged in a pattern or practice of noncompliance and who, through willfulness, recklessness, or gross incompetence, fails to take prompt corrective action. An isolated lapse is not enough, and personal review of every return is never required.

22. C — Under §10.50(b), a disqualified appraiser is barred from presenting evidence or testimony in any administrative proceeding before the Treasury Department or the IRS unless authorized by the Office of Professional Responsibility, and any appraisal he makes after the effective date of disqualification has no probative effect. Countersignature by another appraiser cures nothing.

23. A — Section 10.71(e) permits the Administrative Law Judge to respond to a violated discovery order by inferring that the withheld information would be adverse to the disobedient party, excluding that information from evidence, or issuing a decision by default. The judge exercises no contempt power, and dismissal would punish the government rather than Wexcombe.

24. D — Section 10.72 provides that the hearing location is set by agreement of the parties with the Administrative Law Judge's approval, and that in the absence of such agreement and approval the hearing is held in Washington, D.C. Neither the government's stated preference nor the practitioner's home office location controls that default.

25. D — Section 10.72 provides that a party who fails to appear at the hearing, after notice of the proceeding has been sent, is deemed to have waived the right to a hearing, and the Administrative Law Judge may make a decision against the absent party by default. No rescheduling or second notice is required.

26. A — Section 10.73 provides that official documents, records, and papers of the Internal Revenue Service and the Office of Professional Responsibility are admissible in evidence without the production of an officer or employee to authenticate them. Neither a stipulation, a testifying custodian, nor a formal notice ruling is needed for admission.

27. C — Section 10.73 directs that objections to evidence be made in short form stating the grounds for the objection, and it expressly states that no exception to a ruling is necessary to preserve the rights of the parties. Counsel objected and stated her grounds, so the issue is already preserved for review.

28. B — Section 10.77 gives the other party 30 days from receipt of the appellant's brief to file a response brief with the Secretary of the Treasury or the delegate deciding appeals. Apart from the appeal brief and that response, no further briefs or motions are permitted without leave for sufficient cause.

29. D — Section 10.78 provides that the Administrative Law Judge's decision will not be reversed unless the appellant demonstrates that it is clearly erroneous in light of the record and the applicable law, while issues that are exclusively matters of law are reviewed independently. Pointing to evidence supporting another outcome falls short.

30. C — Section 10.37(c) directs that a reasonable practitioner standard be applied, considering all facts and circumstances, including the scope of the engagement and the type and specificity of the advice sought. A limited engagement is therefore relevant. Covered opinion disclaimers were eliminated in 2014, and an incorrect conclusion alone is not a violation.

31. A — Section 10.76 requires the decision to include a statement of findings and conclusions, the reasons or basis for them, and an order of censure, suspension, disbarment, monetary penalty, disqualification, or dismissal of the complaint. The judge enters that order directly rather than recommending a sanction for the government to select.

32. B — The Form 8821 instructions require the IRS to receive the authorization within 120 days of the date the taxpayer signed and dated it. A form arriving after that window is rejected, and the taxpayer must sign a new one. The 120-day limit does not apply to authorizations filed for a specific use not recorded on the CAF.

33. A — Section 7602(e), added by the 1998 Restructuring and Reform Act, bars the IRS from using financial status or economic reality examination techniques to determine the existence of unreported income unless the agent already has a reasonable indication that such income exists. Incomplete or disorganized records alone do not satisfy that threshold, and no summons prerequisite applies.

34. C — Section 7605(a) directs that the time and place fixed for a summoned appearance be reasonable, and it expressly provides that the date set may not be less than ten days from the date of the summons. No thirty-day rule applies, and the examiner's scheduling discretion is limited by this statutory floor.

35. D — Section 7811(d) suspends the running of the applicable limitations period from the date the taxpayer applies for a Taxpayer Assistance Order until the National Taxpayer Advocate issues a decision, plus any additional period the Advocate specifies. The suspension is temporary, so it neither extinguishes nor shortens the period, and no consent form is involved.

36. B — Section 7611 permits a church tax inquiry only after an appropriate high-level Treasury official supplies the church with written notice, resting on a reasonable belief drawn from written facts that the organization may not qualify for exemption or may owe tax. Board consent, Tax Court approval, and a preliminary summons are not prerequisites.

37. D — Section 7521(c) generally bars IRS personnel from bypassing an authorized representative, but it permits direct contact with the taxpayer when the representative unreasonably delays or hinders the examination and the employee's immediate supervisor approves that step. Disbarment is an Office of Professional Responsibility function, and a valid Form 2848 is never revoked automatically.

38. A — The Taxpayer First Act codified the Independent Office of Appeals in section 7803(e) and made its resolution process generally available. When referral is denied for an eligible taxpayer who received a notice of deficiency, the IRS must furnish written notice detailing the facts, the basis for the denial, and the procedures for protesting that decision.

39. B — Appeals resolves unagreed cases by weighing the hazards of litigation on each issue, but longstanding policy forbids settling a case on nuisance value alone, whether that value would favor the taxpayer or the government. Appeals need not obtain a full concession from either side, and litigating hazards frequently cut against the government.

40. C — Line 3 of Form 2848 may include future tax periods, but the instructions prohibit listing any period ending later than three years after the date the IRS receives the form. Periods that have already ended when the taxpayer signs may always be listed, and no companion Form 8821 is required for representation.

41. B — Form 56 gives notice of a fiduciary relationship under section 6903, and its instructions require a separate form for each person or entity for which the fiduciary acts. A single combined notice covering both the estate and the trust is insufficient, and court appointment papers alone do not notify the IRS.

42. D — Section 7609(c)(2) excepts several summonses from the advance-notice and petition-to-quash rules, including one issued in aid of collecting a liability already assessed against the person whose records are sought. Because the assessment exists, Hobart receives no advance notice of the bank summons and has no corresponding right to petition to quash.

43. A — Section 7522 requires that notices of deficiency, thirty-day letters, and math error notices describe the basis for the tax, interest, and penalties asserted and identify the amounts involved. The statute expressly adds that an inadequate description does not invalidate the notice, so choice B misstates the consequence of an incomplete explanation.

44. C — The National Taxpayer Advocate delivers a report to the tax-writing committees each December identifying at least twenty of the most serious problems encountered by taxpayers, with administrative and legislative recommendations. It travels to Congress without prior review by the Commissioner, the Treasury Secretary, or the Office of Management and Budget, preserving the Advocate's independence.

45. D — Under section 6512(a), a taxpayer who files a timely Tax Court petition in response to a notice of deficiency generally may not afterward maintain a refund suit for that same year in another court. The Tax Court itself may determine an overpayment, including penalty amounts, and order the resulting refund.

46. B — Under United States v. Powell, the government establishes a prima facie case for summons enforcement by showing a legitimate purpose, that the material sought is relevant to that purpose, that the information is not already in the agency's possession, and that the required administrative steps were followed. Criminal intent is irrelevant.

47. C — Section 6323(b)(4) gives a superpriority to a buyer at a casual sale of household goods or similar personal property who pays less than the inflation-adjusted statutory amount, has no actual notice of the lien, and is not buying to hinder collection. Recording a bill of sale or obtaining a seller certification is irrelevant here.

48. A — A taxpayer who makes a voluntary payment may direct how it is applied, and the Service must honor a written instruction applying the money to the trust fund portion of a designated quarter. Only involuntary collections, such as levy proceeds, are applied in the government's best interest. Designation limits later exposure under section 6672.

49. B — Section 7403 lets the government sue to enforce its lien, and the court may order a sale of the entire property rather than only the delinquent taxpayer's fractional interest. The non-liable co-owner is compensated out of the proceeds according to his interest. His consent is unnecessary, and joint ownership does not shield the home.

50. D — Employment tax returns for periods ending within a calendar year are treated as filed on April 15 of the following year. The three-year period for assessing the trust fund recovery penalty for the 2024 quarters therefore runs from April 15, 2025, and expires April 15, 2028, not from each individual filing date.

51. C — Section 6331(k)(2) prohibits levy while a proposed installment agreement is pending, for thirty days after the proposal is rejected, and while a timely appeal of that rejection is being considered. The protection is not limited to pending offers in compromise, and rejection alone does not immediately restore the Service's authority to levy.

52. A — Form 2751 is the agreement to the proposed trust fund recovery penalty assessment. Signing it consents to immediate assessment and collection and waives the sixty-day period for protesting Letter 1153 to Appeals. It is not an acknowledgment of receipt, a request for a conference, or a consent extending the assessment period.

53. A — A private collection agency may secure an installment agreement that fully pays the liability within seven years, but the taxpayer remits to the United States Treasury, never to the agency itself. These contractors have no enforcement authority at all, so they cannot file lien notices, issue levies, or send statutory collection notices.

54. B — Certification must be reversed once the debt is fully satisfied, becomes legally unenforceable, or the taxpayer enters an accepted installment agreement or offer in compromise. The Service notifies the State Department within thirty days and issues Notice CP508R. No twelve-payment waiting period applies, and reversal does not depend on the taxpayer requesting it.

55. C — Section 6651(h) reduces the failure-to-pay penalty from 0.5 percent to 0.25 percent per month for any month an installment agreement is in effect, provided the individual filed the return timely. Accrual does not stop completely, stay unchanged, or increase, and interest under section 6601 keeps running at the full statutory rate.

56. D — A bankruptcy discharge wipes out personal liability but not a properly filed pre-petition federal tax lien. That lien continues in rem against property the debtor owned when the petition was filed, including exempt property, so the Service may still reach it. The surviving lien does not attach to post-petition acquisitions.

57. C — Section 6342 applies proceeds first to the expenses of the levy and sale, next to any specific tax liability on the seized property, and then to the liability that prompted the levy. Any surplus is refunded to the person legally entitled to receive it rather than being retained by the government.

58. D — State exemption statutes do not restrict a federal tax levy. Section 6334 supplies the exclusive list of exempt property, covering items such as limited wearing apparel, fuel and provisions, tools of a trade, unemployment benefits, and workers' compensation. Anything outside that federal list stays reachable regardless of state homestead or exemption law.

59. B — A returned offer is never processed on the merits, so no appeal rights attach; the taxpayer corrects the deficiency and submits a new offer. A rejected offer, by contrast, may be appealed to the Independent Office of Appeals within thirty days. Returned offers also do not suspend the collection statute of limitations.

60. A — Section 6502 allows collection after the ten-year period whenever a proceeding in court is begun before the statute expires. A judgment entered on the assessment lets the government keep enforcing the debt under judgment rules rather than the original expiration date. No one-year cap applies, and property need not be identified beforehand.

61. A — Section 6657 normally imposes two percent of a dishonored payment. When the instrument is under $1,250, however, the penalty instead equals the lesser of $25 or the amount tendered. Osbourne's

$900 check falls below that threshold, so $25 applies rather than the $18 that a flat two percent computation would otherwise produce.

62. C — Section 6651(d) doubles the failure-to-pay addition from one-half of one percent to a full one percent per month, beginning with months that start more than ten days after the Service issues a notice of intent to levy. The quarter-percent rate in option B applies instead to individuals paying under an installment agreement.

63. B — Section 6682 imposes a $500 civil penalty on an individual who makes a withholding statement that results in less tax being withheld than required, where the statement lacked any reasonable basis. The frivolous submission penalty of section 6702 addresses returns and specified collection submissions, not withholding certificates furnished to an employer.

64. D — A large corporation under section 6655(d)(2) is one reporting at least $1 million of taxable income in any of the three preceding taxable years. Such a corporation may base only its first required installment on the prior year's tax, and any resulting shortfall must then be recaptured by increasing the second installment.

65. C — Section 6662(e)(2) bars the substantial valuation misstatement penalty unless the portion of the underpayment attributable to that misstatement exceeds $5,000, or $10,000 in the case of most corporations. Because Roswitha's attributable underpayment is only $3,800, no penalty applies at all, regardless of how large the percentage overstatement of value may have been.

66. B — Section 6662(j) raises the accuracy-related penalty from the usual 20 percent to 40 percent for any portion of an understatement attributable to an undisclosed foreign financial asset. Sunniva's unreported brokerage account was never disclosed on a required information return, so the higher rate applies without the Service having to prove fraud.

67. D — Section 6701 penalizes aiding in the preparation of a document known to understate liability. The base amount is $1,000, but section 6701(b)(2) increases it to $10,000 when the document relates to a corporation's return. Only one penalty may be imposed per person, per taxpayer, per taxable period, regardless of entries.

68. A — Section 6702(c) directs the Secretary to prescribe, and periodically revise, a published list of positions the Service has identified as frivolous. Notice 2010-33 currently supplies that list. No Tax Court preapproval, individualized warning letter, or limitation to previously litigated appellate holdings is required before the Service asserts the $5,000 penalty.

69. B — Section 6601(c) suspends interest when a taxpayer files a waiver of restrictions on assessment and the Service fails to issue notice and demand within thirty days. Interest is not imposed for the period beginning immediately after that thirtieth day and ending when notice and demand is finally issued to Phineas.

70. C — Section 6501(c)(7) applies when the Service receives a signed document showing additional tax within the sixty-day period ending on the normal expiration date. The assessment period for that additional amount alone does not expire before sixty days after the date of receipt. The remainder of the return's limitations period is unaffected.

71. A — Section 6511(b)(2)(B) caps the recovery when a claim is filed outside the three-year window but within two years of payment. The refund cannot exceed tax paid during the two years immediately preceding the claim. Amounts paid earlier than that lookback window are simply unrecoverable even though the claim is timely.

72. D — Section 6502(a)(2) permits a written extension of the collection period only when the agreement accompanies an installment agreement, and the extended period then runs to eighty-nine days after the date agreed upon. A standalone waiver signed merely because the period is closing, or a pending appeal, does not extend collection.

73. A — Relief under section 6015 requires that a joint return have been filed, so Serafima cannot use it after filing separately. Section 66(c) provides the parallel remedy for community income, relieving a separate filer of tax on an item of community income she did not know about and her spouse actually earned.

74. D — Section 6015(h)(2) directs the Service to establish procedures giving the nonrequesting spouse notice of the relief request and a meaningful opportunity to participate in the administrative proceeding. His written consent is never required, and section 6103 does not shield the request from him because he is a party to that joint return.

75. C — Section 7623(b)(2)(A) reduces the award ceiling when the action rests principally on allegations disclosed through judicial or administrative proceedings, government reports or audits, or the news media. In that situation the Whistleblower Office may award up to ten percent of collected proceeds rather than the usual fifteen to thirty percent.

76. B — A whistleblower award is fully includible in gross income. Section 62(a)(21) then allows attorney fees and court costs paid in connection with the award to be deducted in arriving at adjusted gross income, up to the amount included. That above-the-line treatment avoids the itemized deduction limits described in option C.

77. A — Form 14039-B is the Business Identity Theft Affidavit, used when a business, estate, or trust believes its employer identification number was misused on a filed return. Individuals instead use Form 14039. Form 4506-F requests a copy of a fraudulently filed return, and Form 8822-B simply reports a change in responsible party.

78. B — Section 7213 makes willful unauthorized disclosure of returns or return information a felony punishable by a fine of up to $5,000, imprisonment of up to five years, or both, plus costs of prosecution. A federal officer convicted under it is also dismissed from office. Section 7431 supplies the separate civil remedy.

79. C — Section 6103(i)(1) permits disclosure of returns and taxpayer return information for non-tax federal criminal matters only under an ex parte order obtained from a federal district court judge or magistrate judge. A prosecutor's written request, or a grand jury subpoena standing alone, will not compel the Service to release those records.

80. D — The Supreme Court defines willfulness in criminal tax cases as the voluntary, intentional violation of a known legal duty. A genuine, good-faith misunderstanding of what the law actually requires negates willfulness even when that belief is objectively unreasonable. Ordinary negligence, described in option A, never satisfies this demanding criminal standard.

81. C — A willful Bank Secrecy Act violation, including willful failure to file the FBAR, carries a fine of up to $250,000 and imprisonment of up to five years under 31 U.S.C. section 5322(a). Those maximums double to $500,000 and ten years when the conduct is part of a broader illegal pattern.

82. B — Beyond the monetary penalty, section 6038(c) reduces the foreign taxes otherwise creditable by ten percent for failing to furnish the required information, with an additional five percent for each three-month period the failure continues after the ninety-day notice. Ruslana therefore loses a portion of her foreign tax credit as well.

83. A — The section 7216 regulations require a knowing, voluntary written consent signed and dated by the taxpayer before the preparer discloses or uses the return information. A consent to use that information to solicit unrelated business must also be requested before the completed return is delivered to the client, not afterward.

84. D — Section 7210 makes it a misdemeanor to neglect to appear or to produce the records demanded after being summoned, punishable by a fine of up to $1,000, imprisonment of up to one year, or both, plus the costs of prosecution. This exposure exists alongside civil judicial enforcement of the summons.

85. C — An approved Form 8944 undue hardship waiver applies only to the calendar year for which it was requested. Torvald must submit a new request for each later year in which he seeks relief from the electronic filing mandate. Waivers never renew automatically and cannot be transferred to a purchaser of the practice.

86. A — Primary taxpayers under age sixteen who have never filed a federal return may not use the Self-Select PIN method, because the IRS holds no prior year data to validate against. Ulric can still file electronically under the Practitioner PIN method through an authorized provider, so a paper return is not his only choice.

87. D — Authorized IRS e-file Providers must safeguard taxpayer data and report any data theft or security incident promptly to their IRS Stakeholder Liaison, who alerts the appropriate IRS units. Undine should notify state tax agencies as well. Delaying until an annual application update, or relying on an insurance carrier alone, is unacceptable.

88. B — Publication 1345 provides that the electronic postmark is recorded in the transmitter's time zone and that the taxpayer must adjust it to the zone where the taxpayer resides. Half past nine in the evening Pacific time is half past midnight Eastern time on April sixteenth, so this return is late.

89. C — Form 8655, Reporting Agent Authorization, lets a client appoint a payroll firm to sign and electronically file employment tax returns such as Form 941 and to make federal tax deposits. Form

2848 conveys representation authority rather than filing authority, while Forms 8879-EMP and 8453-EMP handle signature and transmittal functions instead.

90. B — Form 8892 requests an automatic six-month extension for Form 709 when the donor is not also requesting an extension of time to file an income tax return. A timely Form 4868 would have extended the gift tax return automatically, but Wrenna already filed. Form 7004 covers business returns, not gift tax.

91. D — Section 6511(d)(3) provides a special ten-year period for a refund claim attributable to foreign taxes paid or accrued, measured from the due date of the return for the year those taxes were paid. Waldemar therefore has far longer than the general rule. The seven-year period covers worthless securities and bad debts.

92. A — Postponements can reach a taxpayer whose necessary records are maintained inside a covered disaster area even though the taxpayer lives outside it, but that relief is not applied on its own. Zebulon must telephone the IRS disaster hotline and identify himself as affected. Form 8944 addresses preparer electronic filing hardship instead.

93. A — Taxpayers affected by a federally declared disaster may obtain copies of previously filed returns without paying the usual fee by entering the disaster designation in red at the top of the request. Transcripts remain available at no charge as well, and no amended return is required before the copies are released.

94. D — Incorporating a sole proprietorship creates a separate legal entity, and that corporation must obtain its own employer identification number rather than carrying the proprietorship number forward. By contrast, simply changing the business name or moving to a new location does not require a new number, although the IRS should still be notified.

95. C — Applicants must supply original documents or copies certified by the issuing agency, and the passport is the only document accepted on its own. For a dependent, that passport generally must show a United States entry date unless the child comes from Canada or Mexico. Notarized photocopies are never acceptable for this purpose.

96. B — The Internal Revenue Service will not accept a single check of one hundred million dollars or more, so Zilpha must divide the payment among several smaller checks or send a wire transfer instead. Checks are also made payable to United States Treasury, not to the Internal Revenue Service, making the first option wrong.

97. C — Direct deposit of an amended return refund is available only when Form 1040-X is transmitted electronically; an amended return mailed on paper still produces a paper refund check. Tavish should therefore file electronically for the faster deposit. Form 8888 splits a refund among accounts but does not create the direct deposit option.

98. D — When a return is rejected and the reject condition cannot be corrected, a specified tax return preparer may file on paper but must attach Form 8948, entering the reject code along with the number of transmission attempts. No hardship waiver request is needed, and attaching the acknowledgments alone does not satisfy the explanation requirement.

99. B — Section 6013(b) lets spouses who filed separate returns elect a joint return later, but the joint return must generally be filed within three years of the due date of the original returns, determined without regard to any extensions. Because the change is clearly permitted, a flat prohibition on switching is also incorrect.

100. A — A taxpayer abroad who has already used the automatic two-month extension and Form 4868 may write the Internal Revenue Service asking for an additional two months, running to December fifteenth. That request is discretionary rather than automatic, and the Service replies only if it is denied. Form 2350 serves foreign earned income exclusion claimants.