**NSA Enrolled Agents Exam Review Course**

**Sample Examination - 2016**

**Contents:**

100 Exam Questions……………………………………………………………………….. 2 - 19

Blank Answer Sheet………………………………………………………………………... 20

Complete Answer Sheet……………………………………………………………………. 21

Performance by Topic Domain…………………………………………………………….. 22

Test Answers and Explanations……………………………………………………………. 23 – 25

**Instructions:**

1. Using the blank answer sheet (page 20) attached, answer the 100 questions on this sample exam by inserting the correct letter answer in the blank provided. Allow exactly 3½ hours for the exam.

2. Check your score by comparing your answers with the complete answer sheet on page 21. Count the number of correct answers, and determine your overall performance by the table on page 21.

3. To assess your performance in the four specified topic sections for Part 3, complete the “Performance by Topic Domain” sheet on page 22. The guide at the bottom of each section indicates your performance on that section.

4. Explanations for the answers to each question begin on page 23.

5. Good luck on the real exam!

**NSA EA Practice Exam**

**Part 3**

1. John, a CPA, is a sole proprietor of a practice that represents taxpayers in IRS examinations and appeals proceedings. Sally, an enrolled agent, is an associate in John’s firm and paid by John as an employee. On February 1, 2015 Sally is disbarred from practice before the IRS by the Office of Professional Responsibility. What, if anything, must John do after Sally is disbarred?

1. nothing
2. quit
3. accept no assistance, directly or indirectly, from Sally
4. report all of John’s activities to the Office of Professional Responsibility on a quarterly basis

2. All of the following statements with respect to the IRS seizure and sale of a taxpayer’s property to satisfy the taxpayer’s tax bill are correct except:

1. a seizure may not be made on any property if the estimated cost of the seizure and sale exceeds the fair market value of the property to be seized
2. a taxpayer has the right to an administrative review of a seizure action when the IRS has taken personal property which is necessary to the maintenance of the taxpayer’s business
3. a taxpayer does not have the right to redeem his/her property prior to sale by the IRS
4. after the sale, proceeds are applied first to the expenses of the levy and sale

3. During the period of an installment agreement:

1. all payments must be made timely, and interest and penalties continue to accrue
2. timely payments suspend the accrual of interest and penalties
3. payments can only be made by certified check
4. a release of Notice of Federal Tax Lien is filed

4. Individuals who have or share principal responsibility for overseeing a firm’s tax practice in matters of competence must insure that

a. the firm has adequate procedures in place to comply

b. the firm procedures in place have been adequately followed

c. prompt action is taken if the responsible person knows or should have known of such

noncompliance

d. all of the above

5. All of the following can practice before the Internal Revenue Serviceexcept:

1. an individual family member representing members of his or her immediate family
2. an individual convicted of any offense involving dishonesty or breach of trust
3. a regular full-time employee representing his or her employer
4. a bona fide officer of a corporation, association, or organized group representing the corporation, association or group

6. Which of the following is not true regarding the filing of information returns concerning employees who prepare tax returns?

1. Annual listings of preparers, identification numbers, and place of work are required for preparers who employ others to prepare returns.
2. The period for which the information return is required is a 12-month period beginning July 1 of each year.
3. No information return is actually required to be submitted; a list is made and kept by the employing preparer.
4. Information returns of income tax return preparers must be maintained by the preparer for two years.

7. A lien is a legal claim to property as security or payment for a tax debt. Select the best answer regarding the filing of a Notice of Federal Tax Lien:

1. may be filed simultaneously with a Notice and Demand for Payment
2. may be filed when a tax deficiency resulting from an audit is agreed to
3. may not be filed when an installment agreement is in effect and payments are being made
4. may be filed after a tax liability is assessed, billed, and the debt is not paid within 10 days of notification

8. Sam timely filed his U.S. individual income tax return for calendar year 2010 without any extensions. The return showed a balance of income taxes due in the amount of $75,000. Sam has not paid his IRS liability, nor has he entered into any installment agreement extending the statute of limitations or submitted any offer in compromise. The statute of limitations for collection of Sam’s tax liability expires on which of the following dates?

1. April 15, 2013
2. April 15, 2015
3. December 31, 2015
4. April 15, 2020

9. Regarding a Tax Information Authorization, Form 8821, which of the following is correct?

1. the appointee can advocate the taxpayer’s position
2. the appointee can execute waivers
3. the appointee can represent the taxpayer by correspondence
4. none of the above

10. Which of the following statements is true regarding records to be maintained by return preparers?

1. Tax return preparers are required to maintain a complete copy of each return or claim for refund they have filed for three years after the return period.
2. Tax return preparers are required to maintain a list of the names, identification numbers and tax years for whom returns are prepared, and to keep this list for three years after the return period.
3. Preparers have a choice of a. or b.
4. Preparers are required to maintain both a. and b.

11. A tax professional has a duty to provide any records or documentation requested by the IRS unless:

1. the request is of doubtful legality
2. the request applies to privileged documents
3. the request is not evidenced by a court order
4. a. or b.

12. A power of attorney would be required in all of the following situations except:

1. to represent an individual at a conference with the IRS
2. to file a written response to the IRS on behalf of another individual
3. to sign a consent to extend the statute of limitations on behalf of another individual
4. to furnish copies of pre-existing documents at the request of the IRS

13. A tax practitioner who uses software to prepare an income tax return for a client must:

1. sign the return
2. provide the client a copy of any computer input sheets used to prepare the return
3. obtain a signed statement from the CEO of the company that designed the software attesting that the software complies in all respects with IRS guidelines for use of commercial software
4. none of the above

14. If it appears that the IRS may pursue a criminal investigation against a taxpayer, the tax professional should:

1. withdraw from the case immediately
2. inform the taxpayer to retain an attorney as no attorney-client privilege exists on this matter
3. document the strengths and weaknesses of the IRS case in a memo to the file
4. immediately request a meeting with the IRS agent’s supervisor

15. A practitioner who is disbarred by the Office of Professional Responsibility may seek reinstatement after:

1. 1 year
2. 2 years
3. 4 years
4. 5 years

16. All of the following statements regarding the Centralized Authorization File (CAF) are true except:

1. a CAF number is a unique number that will be assigned to any person who files a tax information authorization with the IRS
2. the CAF number entitles the person to whom it is assigned to practice before any office of the IRS except a regional appeals office
3. the CAF allows IRS personnel to identify representatives and the scope of their authority and will automatically direct copies of notices and correspondence to the person authorized by the taxpayer
4. a CAF number is a unique number that will be assigned to any person who files with the IRS a power of attorney and a written declaration that he/she is currently qualified to practice before the IRS and is authorized to represent the particular party on whose behalf he/she acts

17. Which one of the following individuals would qualify as a tax return preparer under the regulations?

1. someone who prepares as a fiduciary a return or claim for refund for any person
2. someone who prepares a return or claim for refund without compensation
3. someone who employs one or more persons to prepare for compensation all or a substantial portion of a tax return under Subtitle A of the Internal Revenue Code
4. someone who does not prepare the entire return of a person, but rather prepares a schedule for interest income which totals $700 and gives advice making him a preparer of a schedule of interest expenses which results in a deduction for interest expenses of $800

18. Ray was suspended from practice for four months by the Office of Professional Responsibility. Which of the following is Ray permitted to do during the period of suspension?

1. prepare tax returns
2. sign closing agreements regarding tax liabilities
3. represent taxpayers before IRS with respect to returns Ray did not prepare
4. sign a consent to extend the statute of limitations for the assessment and collection of tax

19. A taxpayer’s primary residence may not be seized and sold by the IRS unless the collection of the tax is in jeopardy or approval has been secured from:

1. the involved revenue officer’s immediate supervisor
2. the IRS Chief of Collections
3. a District Court judge or magistrate
4. the IRS Regional Commissioner or Assistant Regional Commissioner

20. Which of the following statements is not correct in respect to a Notice of Federal Tax Lien?

1. It is a public notice to the taxpayer’s creditors that the government has a claim against all of the taxpayer’s real, personal and/or business property, including property which is acquired after the lien came into existence.
2. All fees charged by the state or other jurisdiction for both filing and releasing the lien will be added to the balance you owe.
3. The IRS will issues a Release of the Notice of Federal Tax Lien within 30 days after acceptance of a bond guaranteeing payment of the liability.
4. A taxpayer cannot sue the IRS over a federal tax lien when a release is warranted.

21. The IRS began an examination of Mr. Jones’s 2014 income tax return. Mr. Jones hired Tyler, an enrolled agent and former IRS employee, to represent him before the IRS. Tyler wrote a memorandum to Mr. Jones outlining the issues that might be raised by the IRS and how to address these issues. Tyler correctly marked this memorandum as confidential and privileged under Section 7525 of the Internal Revenue Code. During the examination, the Revenue Officer assigned to the case asked Tyler for a copy of the memorandum. Mr. Jones, invoking the Section 7525 privilege, told Tyler not to disclose it to the Revenue Officer. Tyler is not required to provide the Revenue Officer with a copy of the memorandum because:

1. the Revenue Officer did not issue a summons requesting it
2. Section 7525 extends the attorney-client privilege to federally-authorized tax practitioners
3. Circular 230 does not authorize officers or employees of the IRS to request any documents other than a tax return
4. the IRS cannot request documents during an examination

22. Which of the following returns may be electronically filed?

1. tax returns with fiscal year periods
2. amended tax returns
3. prior year returns closed by the statute of limitations
4. current year Form 1040 with APO (military) address in a foreign country

23. D’s tax return for 2013 was examined by the IRS for contributions and medical expenses. The examination resulted in “no change” to his tax liability. He received notification of an examination for the same items for his 2014 tax return. What action should he take?

1. notify the IRS of the prior year’s examination as soon as possible
2. do not respond to the audit notification
3. set up an appointment for the current examination and do not discuss the prior examination
4. call the IRS Problem Resolution Office

24. The examination of Greta’s tax return for 2014 resulted in adjustments creating a tax liability in the amount of $30,000. Greta does not believe she owes anything. A Notice of Proposed Income Tax Deficiency is issued to Greta, who wants to appeal the revenue agent’s adjustments to the IRS Office of Appeals. Greta must file a written protest letter no later than which of the following periods?

1. 10 days
2. 30 days
3. 90 days
4. none of the above

25. Willie is the owner of an accounting firm. One of Willie’s employees prepares an income tax return for a client, and opines that a deduction can be claimed for a bad debt. If the return is examined and the deduction is disallowed, Willie will not be subject to penalty under which of these circumstances?

1. the position on the return had a realistic possibility of being sustained and is disclosed
2. the position on the return had at least a 40% chance of being sustained on its merits
3. there is substantial authority to sustain the position taken on the return
4. all of the above

26. Which is a false statement regarding court cases, revenue rulings, and revenue procedures?

1. The denial of a writ of certiorari is the equivalent of a reversal or disagreement.
2. A memorandum decision issued by the Tax Court is thought to be of little value as a precedent.
3. A court decision is the court’s formal answer to the principal issue in litigation. It has legal sanction and is enforceable by the authority of the courts.
4. Dictum is a court’s statement of opinion on a legal point other than the principal issue in the case. Dictum does not have legal sanction and is not enforceable.

27. All of the following statements with respect to Revenue Rulings and Revenue Procedures are correct except:

1. Revenue Procedures are official statements of procedures that either affect the rights or duties of taxpayers or other members of the public, or should be a matter of public knowledge
2. the purpose of Revenue Rulings is to promote uniform application of the tax laws
3. taxpayers cannot appeal adverse return examination decisions based on Revenue Rulings and Revenue Procedures to the courts
4. IRS employees must follow Revenue Rulings and Revenue Procedures

28. Disputes involving which areas of taxation may not be resolved in a deficiency determination proceeding in United States Tax Court?

1. income tax
2. gift tax
3. employment tax deficiencies
4. estate tax

29. The Internal Revenue Service monitors and performs annual suitability checks on authorized Internal Revenue Service electronic filing providers for compliance with the revenue procedure and program requirements. Violations may result in a variety of sanctions. Which statement is correct with respect to sanctions the Internal Revenue Service may impose on an electronic filing provider?

1. The Internal Revenue Service may issue a letter of reprimand or a one-year suspension as a sanction for a level one infraction in the electronic filing program.
2. The Internal Revenue Service may impose a period of suspension that includes the remainder of the calendar year in which the suspension occurs, plus the next two calendar years, for a level two infraction in the electronic filing program.
3. The Internal Revenue Service may suspend or expel an authorized Internal Revenue Service electronic filing provider prior to administrative review for a level three infraction in the electronic filing program.
4. The Internal Revenue Service may not impose a sanction that is greater than a one-year suspension from the electronic filing program.

30. The Commissioner of Internal Revenue may choose to publicly announce acquiescence or non-acquiescence to which of the following court’s adverse regular decisions?

1. United States Tax Court
2. United States District Court
3. United States Claims Court
4. all of the above

31. Criminal charges, other than those specifically provided for in the Internal Revenue Code, that may apply to a taxpayer include:

1. failure to pay tax on time
2. conspiracy
3. lack of substantial authority
4. none of the above

32. If either the IRS or the taxpayer wishes to record the examination interview, such party must notify the other party of this fact

1. at least 3 days before the interview
2. at least 10 days before the interview
3. at least 15 days before the interview
4. at least 30 days before the interview

33. A taxpayer may choose to pay a disputed deficiency and then file a claim for refund. If the claim is denied by the Internal Revenue Service or if no decision is made in six months, the taxpayer may petition:

1. the United States Tax Court
2. the Court of Appeals
3. either the United States District Court or the Court of Appeals
4. either the United States District Court or the United States Claims Court

34. Which of the following statement(s) in Circular 230 is/are accurate?

1. a practitioner may not charge a contingent fee for preparing an original return
2. a practitioner may, in certain circumstances, charge a contingent fee for preparing an amended return
3. a practitioner may, in certain circumstances, charge a contingent fee for preparing a claim for refund
4. all of the above

35. Any tax position recommended to a taxpayer as advice in the year 2015 that is not prominently disclosed on the return should have approximately:

1. a one in four chance of being sustained on audit
2. a one in three chance of being sustained on audit
3. a four in ten chance of being sustained on audit
4. greater than one in two chances of being sustained on audit

36. Which of the following groups is not a major category of e-file provider services?

1. software developer
2. transmitter
3. cross-check verifier
4. electronic return originator

37. Under Publication 1345 guidance, the maximum number of electronic returns permitted to be filed from the same software package and email address is

1. 1
2. 3
3. 5
4. 10

38. Mr. Smith’s 2013 income tax return, which he filed on May 3, 2014, was examined by the IRS. Mr. Smith did not have an extension of time to file. On October 20, 2015 he signed a report agreeing to a deficiency of $10,000. He received a notice and demand showing additional tax, interest and penalties. The notice was dated November 7, 2015. If Mr. Smith paid the bill on November 12, 2015, which of the following reflects the date interest starts accruing and the date it stops?

1. 4/15/14; 11/7/15
2. 4/15/15; 11/12/15
3. 5/3/14; 11/7/15
4. 10/20/14; 11/12/16

39. For court proceedings resulting from examinations, the IRS has the burden of proof for any factual issue. Which of the following is not a condition on the taxpayer to insure that the burden has shifted?

1. the taxpayer must be able to substantiate items claimed on the return
2. the taxpayer must cooperate with the IRS for reasonable requests for documents
3. the taxpayer must sign a waiver of the statute of limitations
4. any non-individual taxpayer must meet a net worth limitation

40. A penalty may be assessed on any preparer or:

1. any person who prepares and signs a tax return or claim for refund
2. any member of a firm who gives advice (written or oral) to a taxpayer or to a preparer not associated with the same firm
3. the individual with overall supervisory responsibility for the advice given by the firm with respect to the return or claim
4. both a. and c.

41. The contractual agreement for a refund anticipation loan (RAL) is between which of the following?

1. taxpayer and lender
2. taxpayer and electronic filing provider
3. electronic filing provider and the lender
4. IRS and the taxpayer

42. Nicholas wants his income tax case to be handled under the Tax Court’s “small tax case” procedure. All of the following statements regarding the small tax case procedure are correct except:

1. the amount in the case must be $50,000 or less for court proceedings
2. the amount must be paid before going to Tax Court
3. the Tax Court must approve the request that the case be handled under the small tax case procedure
4. the decision is final and cannot be appealed

43. The Gramm-Leach-Bliley Act’s Financial Privacy Rule requires which of the following to provide clients with privacy notices that explain their information collecting and sharing practices at the beginning of an engagement and then not less than annually?

1. Tax return preparers
2. Electronic transmitters
3. Electronic service providers
4. all of the above

44. Judith wants to revoke a power of attorney that she previously executed and does not want to name a new representative. In order to do this, what is Judith’s most appropriate action?

1. Judith must call the Internal Revenue Service toll-free number, verify that she is Judith, and inform them she wants to revoke the current power of attorney that is on file.
2. Judith must send a letter to her nearest Internal Revenue Service Center informing them that she wants to revoke the current power of attorney that is on file.
3. Judith must send a copy of the previously executed power of attorney to the Internal Revenue Service (with an original signature) and write “REVOKE” across the top of the power of attorney.
4. Judith must send a new power of attorney to the Internal Revenue Service office(s) where the prior power was originally filed and name herself as the representative.

45. Janice has been enrolled to practice before the IRS since 1987. When may she destroy records documenting her continuing professional education from 2012, if her renewal date is 4/1/13?

1. April 1, 2013
2. April 1, 2014
3. April 1, 2016
4. April 1, 2017

46. Which of the listed circumstances is not justification for an individual seeking relief under the innocent spouse rule?

1. separation of liability
2. spousal verbal abuse
3. equitable relief
4. none of the above

47. Who presides over a hearing on a complaint for disbarment based on a violation of the laws or regulations governing practice before the IRS?

1. the Commissioner of IRS
2. an Administrative Law Judge
3. a United States Tax Court judge
4. the Secretary of the Treasury

48. Which of the listed income item is not taxable on a federal income tax return?

1. unemployment compensation
2. director’s fees
3. inheritances
4. all of the above

49. An appeal from the initial decision ordering disbarment is made to which of the following:

1. the Secretary of the Treasury
2. the Administrative Law Judge
3. the United States District Court for the District of Columbia
4. the United States Tax Court

50. The Office of Professional Responsibility can censure, suspend, or disbar a practitioner from practice before the Internal Revenue Service for incompetence and/or disreputable conduct. Which one of the following is considered disreputable conduct?

1. being indicted for any criminal offense under the revenue laws of the United States
2. having your motor vehicle license suspended as a result of numerous traffic violations
3. being indicted of any felony under federal or state law for which the conduct involved renders the practitioner unfit to practice before the Internal Revenue Service
4. giving false or misleading information, or participating in any way in the giving of false information to the Department of the Treasury or any officer or employee thereof

51. Which of the following acts constitutes representation before the IRS?

1. preparing a tax return for a corporate taxpayer
2. executing a closing agreement on behalf of a corporate taxpayer
3. appearing as a witness for a taxpayer before the IRS
4. furnishing information at the request of the IRS or any of its officers or employees

52. The last complete three-year renewal period was 4/1/2012 through 3/31/2015. If an enrollee’s license expired at the end of this period, it should have been renewed during the period:

1. November 1, 2014 through January 31, 2015
2. February 1, 2014 through March 31, 2015
3. November 1, 2014 through December 30, 2014
4. February 1, 2015 through March 31, 2015

53. Which of the following documents supporting a taxpayer’s case is not a legal document?

1. cancelled check
2. birth certificate
3. will
4. divorce decree

54. Which of the following statements is false?

1. a tax practitioner should review client documentation in support of entries on the return
2. a tax practitioner should strive to educate his or her client regarding the client’s duty to maintain and keep adequate accounting records
3. a taxpayer is under a duty to maintain accounting records sufficient to enable the preparation of an accurate and complete return
4. all of the above statements are true

55. Identify the appropriate action that a practitioner should take when he or she becomes aware of an error or omission on a client’s return.

1. amend the return and provide it to the client
2. inform the IRS of the noncompliance, error, or omission
3. do nothing
4. promptly advise the client of such noncompliance, error, or omission

56. Which of the following individuals qualify as a practitioner before the IRS under Circular 230?

1. certified public accountant
2. enrolled actuary (for limited specialty only)
3. attorney
4. all of the above

57. Select the statement below that is correct with respect to the contents of an answer that is filed in rebuttal to a complaint filed by the Office of Professional Responsibility.

1. the answer must be written and general denials are permitted
2. the respondent does not have to admit or deny all of the allegations set forth in the complaint and can state they are without sufficient information to admit or deny a specific allegation
3. the respondent may not deny a material allegation in the complaint that the respondent knows to be true, or state that the respondent is without sufficient information to form a belief, when the respondent possesses the required information
4. the respondent does not have to state affirmatively any special matters of defense on which he or she relies

58. With regard to the categories of individuals who may practice before the Internal Revenue Service, all of the following statements are correct except:

1. A practitioner who is not an enrolled agent, CPA, or attorney, who signs a return as having prepared it for the taxpayer may, with proper authorization from the taxpayer, appear as the taxpayer’s representative before any office of the IRS with respect to the taxpayer’s tax liability for the period covered by that return.
2. Any person may appear as a witness for the taxpayer before the IRS or furnish information at the request of the IRS or any of its officers or employees.
3. An individual who is not an enrolled agent, CPA or attorney who is regular full-time employee of a corporation may represent that corporation before the IRS.
4. Trusts, receiverships, guardianships or estates may be represented before the IRS by their trustees, receivers, guardians, administrators or executors even if they are not enrolled agents, CPAs or attorneys.

59. Which fee arrangement described below is permissible for an electronic return originator (ERO)?

1. fees based on AGI from the tax return
2. fees based on a percentage of the refund
3. separate fees for direct deposits
4. none of the above

60. Which of the following is not a specific record required to be kept for income tax withholding?

1. each employee’s date of birth
2. the fair market value and date of each payment of noncash compensation made to a retail commission sales person, if no income tax was withheld
3. the total amount and date of each wage payment and the period of time the payment covers
4. for accident or health plans, information about the amount of each payment

61. Which of the following statements concerning continuing professional education (CPE) requirements for enrolled agents is not true?

1. S(he) must complete a minimum of 48 hours of CPE credit if enrolled for the entire cycle.
2. S(he) must complete a minimum of 16 hours of CPE credit in each year of an enrollment cycle if enrolled for the entire cycle.
3. An individual who receives initial enrollment during an enrollment cycle must complete two hours of CPE credit for each month enrolled.
4. The Director of OPR may grant a waiver from the CPE requirements for a given period if there is a compelling reason and the request for waiver is appropriately documented.

62. The use of indirect methods of estimating income may be used by the IRS:

1. in any audit situation
2. only when criminal fraud is suspected
3. only when the taxpayer does not produce books and records
4. none of the above

63. How long should you keep your tax records?

1. 3 years if you owe additional tax
2. 7 years if you file a claim for a loss from worthless securities
3. no limit if you do not file a return
4. all of the above

64. The IRS and state taxation authorities:

1. may never share data under any circumstances
2. may always share data, as confidentiality does not apply with government agencies
3. may share data in limited circumstances per the Code
4. none of the above

65. A 2015 income tax return filed in 2016 can be e-filed only if the tax return is signed electronically using:

1. a Form 8453 signed by the taxpayer
2. the self-select PIN method with a signature by the taxpayer
3. the practitioner PIN method with a signature by the ERO
4. either b. or c.

66. All of the following would be reasons for requesting a transfer of an IRS examination of an income tax return to another IRS district except:

1. the other district is where the taxpayer now lives
2. the return could be examined more quickly and conveniently in the other district
3. the other district is where the taxpayer’s books and records are located
4. the other district is where the taxpayer’s attorney, who prepared the return and has a power of attorney on file, is located

67. The duties in the preparation of Corporation XYZ’s income tax return were assigned and completed as follows:

* Joe – obtained the necessary information, applied to the tax law to the information, and performed the necessary calculations.
* Sue – Joe’s supervisor reviews Joe’s work. In her review, Sue reviews the information provided and the application of the tax laws.
* Company A – A company tax service which takes the information provided by Sue, verifies the mathematical accuracy and prints the return form.
* Pat – A partner in the firm where Joe and Sue work. Pat reviews the return and the information provided, and applies this information to XYZ’s affairs. Pat also verifies that the partnership’s policies have been followed and makes the final determination.

Who is the preparer of XYZ’s return and therefore required to sign it?

1. Joe
2. Sue
3. Company A
4. Pat

68. Which of the following is correct regarding a refund check?

1. Form 2848, Power of Attorney, may be used to authorize cashing of a refund check
2. Form 2848, Power of Attorney, may be used to authorize receipt of a refund check
3. Form 8821, Tax Information Authorization, must be signed before a refund check may be applied to a fee for electronic filing
4. both Form 2848 and Form 8821 must be used to authorize cashing a refund check

69. The Internal Revenue Service is not required to enter into an installment agreement with which of the listed taxpayers below?

1. a taxpayer whose liability for tax does not exceed $10,000
2. a taxpayer who is financially unable to pay the liability in full when due
3. a taxpayer who has not failed to file a required return within the previous five years
4. a taxpayer who entered into another installment agreement within the previous five years

70. Julie, who lives in Washington, D.C., operated a business without books and records. Her business income and expenses were reported on Schedule C. Julie’s tax return for 2014 was examined and substantial adjustments were proposed. Julie disagreed with the adjustments and wants to take her case directly to Tax Court. A Statutory Notice of Deficiency was issued to Julie by the IRS Area Director. Julie can file a petition for a Small Tax case before the U.S. Tax Court during which of the following periods beginning from the date of the issuance of the notice?

1. 30 days
2. 90 days
3. 150 days
4. none of the above

71. When levies are attached, the IRS has the authority to take property to satisfy a tax debt. The IRS may levy all of the following except:

1. accounts receivable
2. worker’s compensation
3. rental income tax return
4. commissions

72. Sandy is an enrolled agent. He is preparing a brochure to hand to prospective clients and would like to explain the designation “enrolled agent.” Which of the following language is Sandy not permitted to use?

1. “I am permitted to practice before the IRS”
2. “I am enrolled to represent taxpayers before the IRS”
3. “I am certified by the IRS”
4. “I am admitted to practice before the IRS”

73. Which one of the following would result in a penalty on the tax return preparer for failure to furnish a copy of the 2015 tax return to the taxpayer?

1. the paid preparer’s copy machine broke in December 2015, and the paid preparer was not able to get it fixed until after filing season
2. the paid preparer prepared one return which affected amounts reported on another return
3. failure was due to reasonable cause and not due to willful neglect
4. paid preparer gave advice on a specific issue of law

74. Which of the following statements is not correct in respect to tax return preparer penalties?

1. The minimum penalty for an understatement due to the preparer’s negligent or intentional disregard of rules or regulations is $1,000; for willful understatement of liability, the penalty is $5,000.
2. If a preparer in good faith and with substantial authority takes the position that a rule or regulation does not accurately reflect the Code, he/she is not subject to either penalty.
3. The IRS always has the burden of proof that a preparer has negligently or intentionally disregarded a rule or regulation.
4. Many Code sections require the existence of specific facts and circumstances. In order to avoid a penalty, a preparer shall make appropriate inquiries of the taxpayer to determine that the requirements have been met incident to claiming a deduction.

75. Dr. Garcia’s individual income tax return was examined and the IRS issued a statutory notice of deficiency. He wishes to contest the liability by bypassing the IRS’s appeals system and taking his case straight to court. Dr. Garcia should:

1. contact the IRS Problem Resolution Officer
2. not pay the tax, and petition the U.S. District Court
3. not pay the tax, and file a written protest requesting immediate consideration by the U.S. Claims Court
4. pay the tax, and file a claim for refund requesting that the claim be immediately rejected so he may file a refund suit in District Court

76. Under the Circular 230 rules for tax advice, an opinion on a “listed transaction” or a transaction that may be classified as a tax shelter requires that at a conclusion in the taxpayer’s favor must have

1. a confidence level “not frivolous” (higher than 5%)
2. a confidence level of “reasonable basis” (higher than 20%)
3. a confidence level of “substantial authority” (higher than 40%)
4. a confidence level of “more likely than not” (higher than 50%)

77. The filing of a power of attorney does not authorize the recognized representative to sign a tax return on behalf of the taxpayer unless such an act is:

1. permitted under the Internal Revenue Code and the regulations thereunder
2. specifically authorized in the power of attorney
3. neither a. nor b.
4. both a. and b.

78. All of the following statements with respect to effective recordkeeping are correct except:

1. records that support the basis of property should be kept until the statute of limitations expires for the year that the property was acquired
2. records of income should identify its source in order to determine if it is taxable or nontaxable
3. if an individual cannot provide a cancelled check to prove payment of an expense item, he/she may be able to prove it with certain financial account statements
4. records should show how much of an individual’s earnings are subject to self-employment tax

79. Mike is an enrolled agent. For the past five years, the information that Anne provided Mike to prepare her return included a Schedule K-1 from a partnership showing significant income. However, Mike did not see a Schedule K-1 from the partnership among the information Anne provided to him this year. What does due diligence require Mike to do?

1. Without talking to Anne, Mike should estimate the amount that would be reported as income on the Schedule K-1 based on last year’s Schedule K-1 and include that amount on Anne’s return.
2. Call Anne’s financial advisor and ask him about Anne’s investments.
3. Nothing, because Mike is required to rely on only the information provided by his client, even if he has a reason to know the information is not accurate.
4. Ask Anne about the fact that she did not provide him with a Schedule K-1.

80. Which of the following is not a “best practice” as that term is used in Circular 230?

1. reasonable fee structure
2. conduct marked by fairness and integrity
3. clear communication with the client regarding the terms of the engagement
4. all are best practices

81. The IRS may expedite the suspension of a tax preparer if he or she fails to file a federal income tax return Form 1040

1. in 4 of the past 5 years
2. in 5 of the past 7 years
3. in any 4 consecutive years
4. in 7 of the past 10 years

82. A Revenue Officer or other IRS personnel may file a Form 53 to put an account in a temporarily suspended status. Which of the following statements concerning such status is not true?

1. the formal name of such status is “Currently Not Collectible (CNC)”
2. the postponement is generally for 30 days
3. the IRS may not attach liens to the taxpayer’s property during this period
4. all of the above statements are true

83. According to the Conference and Practice Requirements, the following tax matters may be reflected on a power of attorney except:

1. Forms 1040 for all years
2. 2013, 2014, 2015 Forms 1040
3. Forms 941 for all four tax quarters of 2015
4. 2015 Form 940

84. Which of the following does not constitute “substantial authority” for purposes of giving tax advice and for avoiding the substantial understatement penalty?

1. a Private Letter Ruling
2. the Joint Senate Finance Committee Report
3. an article in the *Journal of Taxation*
4. all of the above constitute substantial authority

85. Which of the following may the Internal Revenue Service settle by accepting an Offer in Compromise for less than the full amount of the balance due?

1. a tax deficiency, but not penalties and accrued interest
2. a tax deficiency plus penalties, but not accrued interest
3. a tax deficiency plus accrued interest, but not penalties
4. a tax deficiency plus penalties and accrued interest

86. Michael Young, an authorized Internal Revenue Service e-file provider, prepared and electronically transmitted the Form 1040 return of Vivian Blue to the Internal Revenue Service. The Internal Revenue Service notified Michael that the electronic portion of Vivian’s return was rejected for processing. Which statement listed below best explains what Michael must do?

1. Michael must advise the taxpayer that the return may never be filed electronically. Vivian must return to the office, sign a paper copy of Form 1040 and mail it to the Service.
2. If Michael cannot correct the error with the information in his possession, he must take reasonable steps to inform the taxpayer of the rejection within 24 hours and provide the taxpayer with the reject code(s) accompanied by an explanation.
3. Michael must mail a paper copy of the return to the IRS with the original Form 8453 that Vivian signed.
4. If Michael cannot correct the error with the information in his possession, he must take reasonable steps to inform the taxpayer of the rejection by the return date or within one week, whichever date is earlier.

87. Sec. 6001 of the Internal Revenue Code requires each taxpayer to:

1. maintain and keep accounting journals and a general ledger
2. maintain and keep such records as required by the IRS
3. carry the burden of proof in any civil tax matter
4. maintain and keep duplicate accounting records at the office and at home

88. The Internal Revenue Service has the statutory authority to:

1. imprison taxpayers who have failed to file federal income tax returns
2. ignore the statute of limitations and conduct an audit examination for any year in which a taxpayer has failed to maintain adequate accounting records
3. deny a taxpayer a deduction on the grounds that the taxpayer filed a delinquent return for the year in question
4. compute the income of a taxpayer who has maintained no accounting records

89. All of the following persons may be responsible for the trust fund tax except:

1. an officer of a corporation
2. an employee in the payroll department
3. a member of the board of trustees
4. a corporate director or shareholder

90. How long must an electronic filer retain a copy of a pre-recorded advertisement?

1. does not have to retain copies
2. 36 months from the due date of the return
3. end of the calendar year following the date of the last transmission or use
4. 12 months from the date of the last transmission or use

91. Which of the following statements about a statutory notice of deficiency is true?

1. If you do not respond to the 30-day letter or if you later do not reach an agreement with an appeals officer, the IRS will send you a 60-day letter, also known as a notice of deficiency.
2. If you receive a 30-day letter and send in an amount which is the same as or more than the proposed liability, the IRS will not send you a notice of deficiency. If the IRS does not send you a notice of deficiency, you cannot take your case to the Tax Court.
3. If addressed to you outside the United States, the notice of deficiency provides 200 days to either agree to the deficiency or to file a petition with the Tax Court for a redetermination of the deficiency.
4. If you consent, the IRS can withdraw any notice of deficiency. After the notice is withdrawn, you can file a petition with the Tax Court based on the withdrawn notice. The IRS may later issue a notice of deficiency for a greater or lesser amount than the withdrawn deficiency.

92. All of the following statements with respect to classes of regulations are correct except:

1. all regulations are written by the Office of the Chief Counsel, IRS, and approved by the Secretary of the Treasury
2. public hearings are not held on temporary regulations
3. although IRS employees are bound by the regulations, the courts are not
4. public hearings are not held on proposed regulations

93. Isaac’s income tax return for 2014was examined. This resulted in an income tax deficiency in the amount of $50,000 from two $25,000 adjustments. The revenue agent determined that Isaac was negligent involving the first adjustment and proposed an accuracy-related penalty. The second adjustment was discovered by the revenue agent based upon a disclosure statement in the tax return and did not relate to a tax shelter. What is the amount of penalty that the revenue agent can propose?

1. $2,500
2. $5,000
3. $10,000
4. none of the above

94. Which of the following statements is not correct in respect to taxpayers’ offers in compromise on unpaid tax liabilities?

1. A compromise may be made only where there is doubt as to the liability for the amount owed.
2. The Commissioner of Internal Revenue has the authority to compromise all taxes (including any interest, penalty, additional amount or addition to the tax) arising under the revenue laws of the United States, except those relating to alcohol, tobacco, and firearms.
3. Submission of an offer in compromise will usually extend the statute of limitations on collection of an account.
4. Taxpayers have a right by law to submit an offer in compromise on their unpaid tax liability.

95. All of the following statements concerning the procedure for a written protest submitted by a representative to obtain an appeals office conference are correct except:

1. a written protest is required when the tax due, including penalties, is more than $25,000
2. a written protest must contain the tax years involved and a statement that the taxpayer wants to appeal to the appeals office
3. a written protest must contain a statement of facts for each disputed issue and a statement of law or other authority relied upon for each issue
4. a written protest must contain a declaration under penalties of perjury, signed by the taxpayer, that the statement of facts is true and correct

96. Barry’s individual income tax return for 2014 was examined by the IRS, which resulted in a tax assessment in the amount of $10,000. Thereafter, Barry discovered papers which he believed would show that the IRS determination was erroneous. Barry can claim a refund of income taxes as follows:

1. take a credit for the amount on his 2015 return
2. file Form 1045, Application for Tentative Refund
3. file an amended return within three years after the date he filed his original return for 2014, or two years from the date he paid the tax, whichever is later
4. immediately sue for a refund in court

97. In which of the following situations may the tax return preparer disclose the tax return information requested without first obtaining consent of the taxpayer/client?

1. The preparer receives a state grand jury subpoena requesting copies of federal and state income tax returns.
2. An IRS agent, in his or her official capacity, makes a visit to the preparer and requests copies of state and federal income tax returns, related returns, schedules, and records of the taxpayer used in the preparation of the tax returns.
3. A partner in a partnership, who was not involved with the return preparation or partnership records, requests a copy of the partnership including the Schedule K-1s for all partners.
4. All of the above.

98. To satisfy the earned income credit due diligence requirements, a preparer must retain all of the followingexcept:

1. a copy of the completed eligibility checklist or alternative eligibility record
2. a copy of the computation worksheet or alternative computation record
3. a copy of the social security cards for the taxpayer and each qualifying child
4. a record of how and when the information used to complete the eligibility checklist or alternative eligibility record and the computation worksheet or alternative computation record was obtained by the preparer, including the identity of any person furnishing the information

99. Jim, a tax return preparer, has several clients who travel extensively. They have requested that all returns and correspondence with the IRS bear their preparer’s address so that he can handle their tax matters timely. Several have given Jim power of attorney. From time to time, a refund check will be received for one of these clients and Jim will deposit it to that client’s account. Based on these facts, it can be concluded that, regarding the prohibition against endorsing or negotiating a refund check:

1. Jim has not violated the prohibition in any circumstance
2. Jim has not violated the prohibition in any case when the client is present to endorse the check
3. Jim is automatically in violation of the prohibition because he receives the check
4. none of the above

100. The Internal Revenue Code is binding on all courts unless it:

1. is contrary to a published Treasury Regulation
2. violates a provision in the Constitution
3. is contrary to a Supreme Court decision
4. a. and c.

**Blank Answer Sheet**

**Sample Enrolled Agents Exam**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Question** | **Answer** | **Question** | **Answer** | **Question** | **Answer** | **Question** | **Answer** |
| **1** |  | **26** |  | **51** |  | **76** |  |
| **2** |  | **27** |  | **52** |  | **77** |  |
| **3** |  | **28** |  | **53** |  | **78** |  |
| **4** |  | **29** |  | **54** |  | **79** |  |
| **5** |  | **30** |  | **55** |  | **80** |  |
| **6** |  | **31** |  | **56** |  | **81** |  |
| **7** |  | **32** |  | **57** |  | **82** |  |
| **8** |  | **33** |  | **58** |  | **83** |  |
| **9** |  | **34** |  | **59** |  | **84** |  |
| **10** |  | **35** |  | **60** |  | **85** |  |
| **11** |  | **36** |  | **61** |  | **86** |  |
| **12** |  | **37** |  | **62** |  | **87** |  |
| **13** |  | **38** |  | **63** |  | **88** |  |
| **14** |  | **39** |  | **64** |  | **89** |  |
| **15** |  | **40** |  | **65** |  | **90** |  |
| **16** |  | **41** |  | **66** |  | **91** |  |
| **17** |  | **42** |  | **67** |  | **92** |  |
| **18** |  | **43** |  | **68** |  | **93** |  |
| **19** |  | **44** |  | **69** |  | **94** |  |
| **20** |  | **45** |  | **70** |  | **95** |  |
| **21** |  | **46** |  | **71** |  | **96** |  |
| **22** |  | **47** |  | **72** |  | **97** |  |
| **23** |  | **48** |  | **73** |  | **98** |  |
| **24** |  | **49** |  | **74** |  | **99** |  |
| **25** |  | **50** |  | **75** |  | **100** |  |

**Answer Key**

**Sample Enrolled Agents Exam**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Question** | **Answer** | **Question** | **Answer** | **Question** | **Answer** | **Question** | **Answer** |
| **1** | c | **26** | a | **51** | b | **76** | d |
| **2** | c | **27** | c | **52** | a | **77** | d |
| **3** | a | **28** | c | **53** | a | **78** | a |
| **4** | d | **29** | c | **54** | d | **79** | d |
| **5** | b | **30** | d | **55** | d | **80** | d |
| **6** | d | **31** | b | **56** | d | **81** | a |
| **7** | d | **32** | b | **57** | c | **82** | c |
| **8** | d | **33** | d | **58** | a | **83** | a |
| **9** | d | **34** | d | **59** | d | **84** | c |
| **10** | c | **35** | c | **60** | a | **85** | d |
| **11** | d | **36** | c | **61** | a | **86** | b |
| **12** | d | **37** | c | **62** | a | **87** | b |
| **13** | a | **38** | a | **63** | d | **88** | d |
| **14** | b | **39** | c | **64** | c | **89** | b |
| **15** | d | **40** | d | **65** | d | **90** | c |
| **16** | b | **41** | a | **66** | d | **91** | b |
| **17** | c | **42** | b | **67** | d | **92** | d |
| **18** | a | **43** | d | **68** | b | **93** | b |
| **19** | c | **44** | c | **69** | d | **94** | a |
| **20** | d | **45** | d | **70** | b | **95** | d |
| **21** | b | **46** | b | **71** | b | **96** | c |
| **22** | d | **47** | b | **72** | c | **97** | d |
| **23** | a | **48** | c | **73** | a | **98** | c |
| **24** | b | **49** | a | **74** | c | **99** | b |
| **25** | d | **50** | d | **75** | d | **100** | b |

**Estimated Grading Curve:**

**High Pass – 85% (85 of 100 correct)**

**Pass – 74% (74 of 100 correct)**

**Low Pass – 62% (62 of 100 correct)**

**High Fail – 52% (51 of 100 correct)**

**Fail – 45% (45 or lower of 100 correct)**

***Performance by Topic Domain (see next page)***

**Performance by Topic Domain**

**Sample Enrolled Agents Exam**

**(Check if question # answered correctly, then input total # correct in shaded box for each section)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Section 1** | | **Section 2** | | **Section 3** | | **Section 4** | |
| **Practices &**  **Procedures** | | **Representation Before the IRS** | | **Specific Types of Representation** | | **Completion of the Filing Process** | |
| **Question** | **√** | **Question** | **√** | **Question** | **√** | **Question** | **√** |
| **1** |  | **12** |  | **2** |  | **4** |  |
| **5** |  | **14** |  | **3** |  | **20** |  |
| **6** |  | **16** |  | **7** |  | **22** |  |
| **9** |  | **21** |  | **8** |  | **29** |  |
| **10** |  | **23** |  | **13** |  | **36** |  |
| **11** |  | **25** |  | **15** |  | **37** |  |
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| **43** |  | **31** |  | **39** |  | **64** |  |
| **45** |  | **33** |  | **46** |  | **65** |  |
| **47** |  | **35** |  | **62** |  | **78** |  |
| **49** |  | **42** |  | **66** |  | **85** |  |
| **50** |  | **44** |  | **69** |  | **86** |  |
| **51** |  | **48** |  | **71** |  | **87** |  |
| **52** |  | **53** |  | **75** |  | **90** |  |
| **56** |  | **55** |  | **88** |  | **91** |  |
| **57** |  | **60** |  | **94** |  | **95** |  |
| **58** |  | **68** |  |  |  | **98** |  |
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| **67** |  | **77** |  |  |  |  |  |
| **72** |  | **82** |  |  |  |  |  |
| **73** |  | **83** |  |  |  |  |  |
| **74** |  | **84** |  |  |  |  |  |
| **76** |  | **92** |  |  |  |  |  |
| **79** |  | **96** |  |  |  |  |  |
| **80** |  | **97** |  |  |  |  |  |
| **81** |  | **99** |  |  |  |  |  |
| **89** |  | **100** |  |  |  |  |  |
| **93** |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| ***Summary #1*** |  | ***Summary #2*** |  | ***Summary #1*** |  | ***Summary #1*** |  |
| ***All Questions*** | ***31*** | ***All Questions*** | ***30*** | ***All Questions*** | ***19*** | ***All Questions*** | ***20*** |
| ***# Correct*** |  | ***# Correct*** |  | ***# Correct*** |  | ***# Correct*** |  |
|  |  |  |  |  |  |  |  |
| **HP\*** | 25 | **HP\*** | 24 | **HP\*** | 15 | **HP\*** | 16 |
| **P\*** | 21 | **P\*** | 20 | **P\*** | 13 | **P\*** | 14 |
| **LP\*** | 18 | **LP\*** | 18 | **LP\*** | 11 | **LP\*** | 12 |
| **HF\*** | 15 | **HF\*** | 14 | **HF\*** | 9 | **HF\*** | 11 |
| **F\*** | 11 | **F\*** | 11 | **F\*** | 7 | **F\*** | 8 |

\* HP = high pass (great work!), P = pass (good job), LP = low pass (on the border line – review material briefly), HF = high fail (close, but need to review more closely), F = fail (more intense studying recommended to insure success)

**Answers & Explanations – Sample Enrolled Agents Exam**

|  |  |  |
| --- | --- | --- |
| Question | Answer | Explanation |
| 1 | c | Circular 230 prohibits assistance from disbarred practitioners |
| 2 | c | Taxpayer always has the right to redeem the property by paying balance |
| 3 | a | All interest and penalties continue to accrue on the balance |
| 4 | d | All three conditions are the responsibility of the “responsible person” |
| 5 | b | All others listed are specifically permitted to represent the taxpayer |
| 6 | d | The list must be maintained for 3 years, not 2 |
| 7 | d | The 10-day rule is applied to liens |
| 8 | d | The statute expires 10 years following the date of assessment (generally, due date) |
| 9 | d | The TIA is only a request for information; no representative function is permitted |
| 10 | c | Either the return or the required information will suffice |
| 11 | d | These are the two legitimate grounds for refusing to comply |
| 12 | d | A tax information authorization is all that is need to obtain this |
| 13 | a | The return must always be signed |
| 14 | b | The client should be represented by an attorney at this point |
| 15 | d | Reinstatement is possible only after a minimum 5-year wait |
| 16 | b | The CAF number is not granting a right to practice before the IRS |
| 17 | c | An employer of individuals preparing returns is an ITP |
| 18 | a | The suspended practitioner may prepare tax returns, but not represent |
| 19 | c | Consent of the District Court judge or magistrate is required |
| 20 | d | The taxpayer always has the right to sue |
| 21 | b | Sec. 7525 specifically extends privilege to federally-authorized tax practitioners |
| 22 | d | APO (military) addresses are not considered to be foreign addresses |
| 23 | a | Notifying the IRS of a repetitive audit is acceptable |
| 24 | b | The 30-day letter is used as the Notice of Proposed Income Tax Deficiency |
| 25 | d | All three positions are allowed under current regulations to avoid a penalty |
| 26 | a | A denial of a writ of certiorari merely states that the court will not hear the case |
| 27 | c | Rulings and Procedures do not have the force and effect of law, can be appealed |
| 28 | c | Cases involving employment tax *deficiencies* are not heard by Tax Court |
| 29 | c | Level three infractions may involve automatic suspensions |
| 30 | d | All court decisions may now be subject to such announcements |
| 31 | b | Conspiracy charges are not covered by the Internal Revenue Code, but may apply |
| 32 | b | At least 10 days’ advance notice is required for either party to record |
| 33 | d | If the deficiency is paid, these are the only two initial court options |
| 34 | d | All statements related to fees are true and are in Circular 230 |
| 35 | c | The “substantial authority” threshold for not disclosing a position is at least 40% |
| 36 | c | The other three answers are major categories of e-file provider services |
| 37 | c | The maximum number of returns permitted from one package is 5 |
| 38 | a | Interest begins on the due date of the return and stops with the notice (if paid) |
| 39 | c | A waiver of the statute of limitations is not required |
| 40 | d | Both a preparer and a person with overall responsibility may be assessed |
| 41 | a | This is simply a loan; no contract exists with the preparer or the IRS |
| 42 | b | As is true with the Regular Tax Court, payment is not required in advance |
| 43 | d | All of the individuals listed would be subject to the privacy rules |
| 44 | c | The word “REVOKE” must be clearly written across the top of the old PA |
| 45 | d | CPE records must be kept for four years beyond the next enrollment date |
| 46 | b | Spousal verbal abuse is not specifically listed as a relief condition |
| 47 | b | An administrative law judge always hears the case |
| 48 | c | Inheritances are specifically excluded from taxation |
| 49 | a | Appeals are directly to the Secretary of the Treasury |
| 50 | d | *Tricky!* Indictment is not proof of commitment of any offenses |
| 51 | b | Executing a closing agreement is an act of representation |
| 52 | a | Deadline is from November to end of January at end of enrollment period |
| 53 | a | A cancelled check is not a legal document; others listed are |
| 54 | d | All of the statements are examples of due diligence by tax practitioners |
| 55 | d | Practitioner should only advice the client of the error |
| 56 | d | All are specifically listed as qualifying practitioners |
| 57 | c | This statement comes closest to describing the responsibilities |
| 58 | a | The privilege is limited to Examination division, not *any* office |
| 59 | d | None of the fee arrangements are permissible |
| 60 | a | Employee’s date of birth is not a required record item |
| 61 | a | The minimum requirement is 72 hours of CPE |
| 62 | a | The Supreme Court has specifically sanctioned the method in routine audits |
| 63 | d | All three responses are correct on the statute of limitations on records |
| 64 | c | Data may be shared in limited circumstances (Code Sec. 6103) |
| 65 | d | Either method is permissible; Form 8453 is no longer used for this purpose |
| 66 | d | The location of the attorney is not a valid reason for a transfer |
| 67 | d | Pat is the one person with substantial authority over the return |
| 68 | b | A Power of Attorney can authorize receipt of a check, but never cashing the check |
| 69 | d | Taxpayers entering an installment agreement within last 5 years do not qualify |
| 70 | b | The taxpayer has 90 days to file a petition for a hearing before the U.S. Tax Court |
| 71 | b | Worker’s compensation is exempt from levy |
| 72 | c | The term “certified” should never be used in a representation |
| 73 | a | Copy machine failure is not a valid reason for waiting until the end of filing season |
| 74 | c | Burden of proof is on the tax preparer, not the IRS, for penalty purposes |
| 75 | d | Tax must be paid and claim denied before going to District Court |
| 76 | d | Reliance opinions “guarantee” results, and are subject to “more likely than not” |
| 77 | d | Both conditions must be met for the representative to sign under a power of attorney |
| 78 | a | The statute of limitations never expires for property basis records |
| 79 | d | Further inquiries of the taxpayer would meet the due diligence standard |
| 80 | d | All are best practices under Circular 230 |
| 81 | a | Expedited procedures may apply with a failure to file 4 of the last 5 years’ 1040s |
| 82 | c | The IRS may still attach liens to taxpayer property during the 30 days |
| 83 | a | The tax years must be specified on the form |
| 84 | c | Journal articles are interpretive secondary authorities, not part of the body of tax law |
| 85 | d | Offer in compromise applies to deficiency, penalties, and interest |
| 86 | b | Notification should be within 24 hours, and reject codes furnished |
| 87 | b | The taxpayer must keep such records as required by the IRS (Treasury Secretary) |
| 88 | d | The Supreme Court specifically sanctioned this technique |
| 89 | b | An employee is not at the level of a “responsible person” for this tax |
| 90 | c | Recordings must be retained until the end of the calendar year after last use |
| 91 | b | The second letter is a 90-day letter on answer a; the payment is on the deficiency |
| 92 | d | Public hearings are always held on proposed regulations (but not temporary ones) |
| 93 | b | Penalty is 20% of the $25,000 understatement attributable to negligence |
| 94 | a | Doubt as to collectability is also a valid reason |
| 95 | d | A substitute declaration may be made by the taxpayer’s representative |
| 96 | c | Claim (via amended) must be filed by later of 3-year filing or 2-year pay window |
| 97 | d | None appear to violate the requirements (assuming no instructions to contrary) |
| 98 | c | Copies of the social security cards are not required |
| 99 | b | If Jim endorses the checks, he will be in violation of the prohibition |
| 100 | b | Internal Revenue Code is ultimate tax authority unless violating the Constitution |