

SEE 3. Sample Questions

1. Under Treasury Department Circular No. 230, all of the following are considered to be incompetence and disreputable conduct EXCEPT:

- (A) conviction of any criminal offense under the Federal tax laws.
- (B) conviction of any criminal offense involving dishonesty or breach of trust.
- (C) willfully disclosing tax return information with the consent of the taxpayer.
- (D) willfully failing to sign a tax return prepared by the tax practitioner as required by Federal tax laws.

Key: C

References: Treasury Department, Section 10.50 and 10.51 of Circular 230, Pgs. 29 and 30

2. An Enrolled Agent (EA) can be sanctioned under Circular 230 in each of the following ways EXCEPT:

- (A) monetary penalty
- (B) imprisonment
- (C) censure
- (D) disbarment

Key: B

References: Circular 230 Section 10.50

3. How many years in the future can an authorization on a Form 2848 be recorded to the Centralized Authentication File (CAF)?

- (A) Current year + 1
- (B) Current year + 2
- (C) Current year + 3
- (D) Current year + 4

Key: C

References: Instructions for Form 2848 pg. 3

4. A taxpayer filed an appeal of an IRS examination and then signed IRS Form 8821, Tax Information Authorization, on behalf of an Enrolled Agent (EA). Which of the following is correct?

- (A) The EA may represent the client before IRS Appeals based on the Form 8821.
- (B) The EA may represent the client before IRS Appeals with the oral consent of the client.
- (C) The EA may represent the client before IRS Appeals with a note attached by the client.
- (D) The EA may not represent the client before IRS Appeals.

Key: D

References: Form 2848 Instructions pg. 2

5. In preparing an Earned Income Credit Worksheet and Form 8867, how long should a return preparer retain copies?

- (A) one year from the filing of the return

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- (B) two years from the filing of the return
- (C) three years from the filing of the return
- (D) six years from the filing of the return

Key: C

References: Reg. 1.6695-2(b)(4)(i) and (ii)

6. An Enrolled Agent (EA) is in the process of representing Taxpayer A before the Internal Revenue Service for a tax matter. Taxpayer A's ex-husband also asked the EA to represent him for the same matter. Which of the following is NOT required for the EA to represent both?

- (A) The EA must notify the Office of Professional Responsibility that the EA will be representing both taxpayers
- (B) Both taxpayers must waive the conflict of interest and give informed consent in writing to the EA
- (C) The EA must reasonably believe that the EA will be able to provide competent and diligent representation to both taxpayers
- (D) The representation is not prohibited by law

Key: A

References: Circular 230 Page 22, Section 10.29

7. An Enrolled Agent (EA) prepared an individual income tax return for a taxpayer with a balance due of \$25,597. The taxpayer is not able to pay the entire amount upon filing and would like to set up an installment agreement. Which of the following statements are correct with regard to this agreement?

- (A) Since the taxpayer owed more than \$25,000 the taxpayer may not apply online.
- (B) The taxpayer will not be charged a user fee to set up this installment agreement.
- (C) The taxpayer must be in filing compliance.
- (D) The taxpayer will not be charged interest and penalties while making installment payments.

Key: C

References: Publication 594 Page 3

8. In order for the IRS to grant a guaranteed installment agreement, a taxpayer must have not failed to file any income tax returns or pay any tax shown on such returns during any of the preceding

- (A) 3 taxable years.
- (B) 5 taxable years.
- (C) 6 taxable years.
- (D) 10 taxable years.

Key: B

References: IRC 6159(c)(2)

9. A taxpayer is provided a \$300 per month mileage allowance for business travel from employer. In order for this to be a non-taxable item, which of the following is true?

- (A) The taxpayer must return any excess reimbursement within 180 days after the expense was paid or incurred.
- (B) The taxpayer must adequately account for the expenses within 60 days after they were paid or incurred.
- (C) The taxpayer must receive the advance within 60 days of the time the taxpayer has the expense.
- (D) The taxpayer must adequately account for the expenses within 30 days after they were paid or incurred.

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Key: B

References: Reg. § 1.62-2(g)(2); Publication 463 Chapter 6 Page 30

10. Which of the following tasks can be performed by any Enrolled Agent (EA) on behalf of their client?

- (A) Prepare and file a suit for refund in United States District Court.
- (B) Prepare and sign a United States Tax Court petition to contest a notice of deficiency.
- (C) Prepare and sign a protest to challenge examination results in the IRS Appeals Office.
- (D) Prepare and file a bankruptcy petition in United States Bankruptcy Court due to unpaid tax balances.

Key: C

References: IRS Form 12203; Pub 947; Pub 5; Instructions for Form 2848, pg. 2

11. An Enrolled Agent (EA) can represent a taxpayer

- (A) before any administrative level of the IRS
- (B) only if the EA prepared the return
- (C) at all tax related federal court proceedings
- (D) before collections, examinations and Tax Court

Key: A

References: Tax Court Rule 200; Circular 230, sections 10.2, 10.3 & 10.32

12. A new client visits an Enrolled Agent (EA). The taxpayer believes that the U S tax system is purely voluntary and filed a return showing no income tax, requesting all withholding be refunded. The IRS assessed a \$5,000 frivolous return penalty.

The taxpayer has received a Notice of Intent to Levy and Right to Collection Due Process (CDP) Hearing concerning the \$5,000 penalty. The taxpayer wants the EA to present the previous arguments about the tax system.

Which of the following is a correct statement regarding the CDP hearing request raising arguments previously deemed frivolous?

- (A) If the appeal is deemed frivolous, the taxpayer will be given 30 days to withdraw or amend the CDP appeal.
- (B) The EA would not be subject to a frivolous return penalty by submitting the CDP hearing request. .
- (C) Since a \$5,000 return penalty has been assessed, a second penalty cannot be assessed for the same tax period.
- (D) In all circumstances, filing the CDP request will suspend any levies while Appeals considers the request.

Key: A

References: IRC 6702

13. A taxpayer received a notice from the IRS saying a prior year's tax return had been examined, creating a tax assessment of \$2,560. The taxpayer disagrees with the amount of tax assessed. The taxpayer could request an audit reconsideration in all of the following situations EXCEPT:

- (A) the full amount owed has already been paid
- (B) there is new documentation for the examination
- (C) they neither appeared for the examination nor sent information to the IRS
- (D) they moved and never received the examination notice

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Key: A

References: Publication 3598

14. An Enrolled Agent's (EA's) client is an individual taxpayer who is requesting assistance with a proposed penalty. All of the following are methods of addressing the penalty, EXCEPT:

- (A) Prior to a penalty being assessed in an examination, it may be appealed via deficiency procedures.
- (B) Prior to assessment, the EA can request binding arbitration to reconsider the penalty.
- (C) After the penalty has been assessed, a written request for abatement can be submitted.
- (D) After the penalty has been assessed and paid, the EA can prepare a claim for refund.

Key: B

References: Methods of Appealing Penalties, IRM 20.1.1.4

15. An Enrolled Agent has privilege in relation to tax matters that include communications regarding

- (A) tax shelters
- (B) tax return preparation
- (C) representation before the IRS
- (D) criminal tax proceedings in federal court

Key: C

References: Code section 7525 (a)(1) and (2) and (b)

16. An Enrolled Agent (EA) represents a married couple in an ongoing examination. One afternoon, the taxpayer-wife shows up early to a meeting at the EA's office. Off the record, the taxpayer-wife confides to the EA that the examination is causing marital strife, and that the taxpayer-wife is not sure but now suspects that her spouse may have taken erroneous business deductions. All of the following activities would address the conflict of interest EXCEPT:

- (A) Politely advising the client that this meeting was not appropriate, and make sure that no further meetings occur unless both spouses are present.
- (B) Informing both spouses of the potential ability to seek an innocent spouse determination as part of this examination as it moves forward.
- (C) Advising both spouses that there could be a conflict of interest going forward in representing both of them, and they may wish retain their own counsel in the matter.
- (D) If the taxpayer-wife does not consent to the EA sharing her concerns with her husband, the EA cannot obtain informed consent from the husband to continue to represent both spouses without violating her confidences. To continue to represent the taxpayer-wife alone would also pit the EA against the taxpayer-husband, his former client. Thus, the EA should withdraw from representation of either spouse.

Key: A

References: Circular 230, section 10.29

17. An Enrolled Agent (EA) represented both a taxpayer and a former business partner of the taxpayer before the Internal Revenue Service with regard to a specific tax matter. Due to the potential conflict of interest, the EA obtained a written consent from each of the clients waiving the conflict of interest and giving informed consent. The EA must keep those written consents for how long after the conclusion of representation?

- (A) 24 Months

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- (B) 36 Months
- (C) 48 Months
- (D) 72 Months

Key: B

References: Circular 230, section 10.29

18. If a taxpayer and the IRS fail to settle a non-docketed examination controversy in the IRS Appeals Office, the next event to occur is

- (A) issuance of a notice of deficiency
- (B) issuance of notice and demand for payment
- (C) return of the case to the Revenue Agent for further review
- (D) referral of the case to the Taxpayer Advocate

Key: A

References: Publication 556 Examination of Returns, Appeal Rights, and Claims for Refund, p. 5

19. The Tax Court has generally held that taxpayers who rely on software to justify errors on self-prepared returns are

- (A) not liable for the 6662 accuracy-related penalty.
- (B) liable for the 6662 accuracy-related penalty.
- (C) liable for 20% of the 6662 accuracy-related penalty.
- (D) liable for 40% of the 6662 accuracy-related penalty.

Key: B

References: IRC 6662; IRC 6664(c); Reg. 1.6664-4(b)(1); Anyika v. Commissioner, T.C. Memo. 2011-69

20. When an Electronic Return Originator (ERO) receives a reject of an e-filed return, how soon must the ERO take reasonable steps to notify the taxpayer?

- (A) 8 hours
- (B) 12 hours
- (C) 24 hours
- (D) 48 hours

Key: C

References: Publication 1345 Handbook for Authorized IRS e-File Providers of Individual Tax Returns pg.30