

SEE 3. Sample Questions

Terminology KEY for SEE Sample Test Questions

Abbreviation/Term/Symbol:

IRC or Code Section
 Instructions
 Form
 Pub or Publication
 IRB
 31 U.S.C.
 C.F.R.
 Treas. Reg. or Regulations
 DOL
 Cir. 230
 IRM
 T.C. Memo
 §

Refers to:

Internal Revenue Code
 IRS Form Instructions
 IRS Tax Form
 IRS Publication
 Internal Revenue Bulletin
 Title 31 of United States Code
 Code of Federal Regulations
 Treasury Regulations
 Department of Labor
 Treasury Department Circular 230
 Internal Revenue Manual
 Tax Court Memo
 Symbol for Code Section

Numbers and/or letters following the code section symbol are used to guide the user to the appropriate area in the Code for that reference.

1. Under Treasury Department Circular No. 230, all of the following are considered to be incompetence or 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 a taxpayer's tax return information with the consent of the taxpayer
- (D) Willfully failing to sign a tax return prepared by the practitioner when the practitioner's signature is required by Federal tax laws

Key: C

References: Cir. 230, Section 10.51

2. Circular 230 provides for all of the following enrolled agent sanctions EXCEPT:

- (A) Monetary penalty
- (B) Imprisonment
- (C) Censure
- (D) Disbarment

Key: B

References: Cir. 230 Section 10.50

3. How many future years will the IRS record to the Centralized Authentication File (CAF) at the taxpayer's request based on receipt of a valid Form 2848 authorizing representation for tax years or periods?

- (A) December 31 of year of receipt + 1 year
- (B) December 31 of year of receipt + 2 years

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- (C) December 31 of year of receipt + 3 years
- (D) December 31 of year of receipt + 4 years

Key: C

References: 26 C.F.R. § 601.506(d)(3)(i); Instructions for Form 2848, Power of Attorney and Declaration of Representative, page 4

4. A taxpayer filed an appeal of an IRS examination and then signed Form 8821, Tax Information Authorization, authorizing an enrolled agent to receive the taxpayer's confidential tax information related to the matter before Appeals. Which of the following is correct?
- (A) The enrolled agent may represent the client before IRS Appeals based on the Form 8821
 - (B) The enrolled agent may represent the client before IRS Appeals with the oral consent of the client
 - (C) The enrolled agent may represent the client before IRS Appeals with a note attached by the client
 - (D) The enrolled agent may not represent the client before IRS Appeals

Key: D

References: Form 8821 Instructions pg. 1

5. To meet due diligence requirements, a return preparer must retain all of the following documents for a certain period of time when preparing an Earned Income Credit Worksheet and Form 8867 EXCEPT:
- (A) A record of how, when, and from whom the information used to prepare the Form 8867 and the worksheets was obtained
 - (B) A copy of the Form 8867
 - (C) A record of any questions the taxpayer may have asked the tax preparer about their eligibility for the credit
 - (D) Copies of documents provided by the taxpayer that the return preparer relied on to determine the eligibility for the credit

Key: C

References: Treas. Reg. § 1.6695-2(b); Form 8867; Paid Preparer's Earned Income Credit Checklist, Instructions (2020), Document Retention, p. 4

6. An enrolled agent (EA) is in the process of representing a taxpayer before the Internal Revenue Service for a tax matter involving a tax return the taxpayer filed claiming married filing jointly status with her former husband. The taxpayer's former husband also asked the EA to represent him for the same matter. All of the following are required for the EA to represent them both EXCEPT:
- (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: Cir. 230, 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

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- (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. 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 must be 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 120 days after they were paid or incurred

Key: B

References: Publication 463 Chapter 6 Page 29

10. Which of the following tasks may be performed by an enrolled agent (EA) on behalf of his or her 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: Cir. 230, Section 10.2(a)(4), 10.3(c) , and 10.32; Pub 947, Practice Before the IRS and Power of Attorney, pages 3 and 7

11. An enrolled agent (EA) may represent a taxpayer:

- (A) At conferences, hearings, or meetings with the IRS
- (B) Only if the EA prepared the return under examination
- (C) At all tax-related federal court proceedings
- (D) Before IRS Collection, IRS Examination, and the Tax Court

Key: A

References: Cir. 230 §§ 10.2(a)(4), 10.3(c) & 10.32; Publication 947, Practice Before the IRS and Power of Attorney, pages 3 and 7

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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 in the CDP hearing request.

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

- (A) If the IRS provides the taxpayer with notice that the CDP request is frivolous, the taxpayer will be given 30 days to withdraw or amend the CDP request in order to avoid a frivolous submission penalty
- (B) The EA would not be subject to a frivolous submission penalty by submitting the CDP hearing request
- (C) Since a \$5,000 frivolous return penalty has been assessed, a second penalty cannot be assessed for the same tax period
- (D) Filing the CDP request will suspend any levies while Appeals considers the request

Key: A

References: IRC §§ 6330(g), 6702

13. A taxpayer received a notice from the IRS stating a prior year's tax return had been examined and that an adjustment was made increasing the amount of tax by \$2,560. The taxpayer disagrees with the adjustment. 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 IRS Exam to consider
- (C) The taxpayer did not appear for the examination or did not send information to the IRS
- (D) The taxpayer moved and did not receive the examination notice

Key: A

References: Publication 3598, What You Should Know About the Audit Reconsideration Process

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 contesting the penalty, EXCEPT:

- (A) Prior to a penalty's assessment, the EA can request a review of the penalty
- (B) Prior to a penalty's assessment, the EA can request binding arbitration to reconsider the penalty
- (C) After the penalty has been assessed, the EA can submit a written request for penalty abatement
- (D) After the penalty has been assessed and paid, the EA can file a claim for refund with the IRS

Key: B

References: Methods of Appealing Penalties, IRM 20.1.1.4(2)

15. An enrolled agent's communications with a client may be privileged if they concern:

- (A) Encouraging the client to participate in a tax shelter
- (B) Preparing the client's tax return
- (C) Representing the client in an IRS examination
- (D) A criminal tax investigation

Key: C

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References: IRC § 7525 (a)(1)-(2) and (b); IRC § 7602(a); Publication 556, pages 3-4

16. When advertising their services, an enrolled agent may use all of the following phrases to describe their professional designation EXCEPT:

- (A) Certified to practice before the Internal Revenue Service
- (B) Admitted to practice before the Internal Revenue Service
- (C) Enrolled to represent taxpayers before the Internal Revenue Service
- (D) Enrolled to practice before the Internal Revenue Service

Key: A

References: Cir. 230, section 10.30(a)(1)

17. An enrolled agent (EA) represented both a taxpayer and a former business partner of the taxpayer before the IRS with regard to a specific tax matter. Due to a conflict of interest between the two taxpayers in the tax matter, the EA obtained a written consent from each of the clients waiving the conflict of interest and giving informed consent. For how long does the EA need to keep those written consents after the conclusion of representation?

- (A) 24 Months
- (B) 36 Months
- (C) 48 Months
- (D) 72 Months

Key: B

References: Cir. 230, section 10.29(c)

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; Treas. Reg. § 601.106(d)(2)(ii).

19. To avoid imposition of the accuracy-related penalty for a substantial understatement of income tax, which of the following is a type of authority that may be relied upon by the taxpayer to try to show substantial authority for the tax treatment of an item?

- (A) www.irs.gov
- (B) Revenue rulings
- (C) IRS Forms
- (D) IRS Publications

Key: B

References: Treas. Reg. § 1.6662-4(d)(3)(iii); IRS Publication, Pub 17, Your Federal Income Tax (for Individuals) (2020), page 19

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20. When an Electronic Return Originator (ERO) receives a rejection of an e-filed return and cannot fix the reason for the rejection, how soon must the ERO take reasonable steps to notify the taxpayer?

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

Key: C

References: Publication 1345, Handbook for Authorized IRS e-File Providers of Individual Income Tax Returns, pg.27