

ENROLLED AGENT PRACTICE EXAMS

Part 3 - Representation



ERRATA SHEET

2025/26
Testing Cycle



SKILLPREP BOOKS

Enrolled Agent Practice Exams PART 3 - ERRATA SHEET

This document contains corrections and clarifications for *Enrolled Agent Practice Exams PART 3 2025-2026* by *SkillPrep Books* for editions published **before April, 2025**.

Some questions have been corrected, while others have been revised to enhance clarity. Please use this information to update the content and ensure you have the most accurate version possible.

Table of Contents:

PART 3 EXAM #1 p.2

PART 3 EXAM #2 p.7

PART 3 - PRACTICE EXAM #1

QUESTION 3

3. In which scenario is a formal written protest not required for IRS Appeals?

- A. For an employee plan case, irrespective of the amount involved
- B. For amounts not exceeding \$25,000 per tax period, allowing a small case request
- C. For a partnership case, irrespective of the amount involved
- D. When eligible for a special appeals procedure like lien considerations

ANSWER: B. For amounts not exceeding \$25,000 per tax period, allowing a small case request

Taxpayers can opt for a small case request instead of a formal written protest if the total amount for any tax period is no more than \$25,000.

Topic: IRS Appeals - Written Protest Requirements

QUESTION 6

6. What is not required of an ERO when informing a taxpayer of a rejected return?

- A. Presenting a copy of the IRS acknowledgment file that shows the rejection
- B. Providing the rejection codes
- C. Explaining the rejection codes
- D. Advising the taxpayer on corrective actions and resubmission options

ANSWER: A. Presenting a copy of the IRS acknowledgment file that shows the rejection

An ERO must inform the taxpayer of the rejection using the reject codes and explanations but is not required to provide a copy of the IRS acknowledgment file.

Topic: Rejected Electronically Filed Returns

QUESTION 16

16. According to current IRS guidance, how long can processing an amended return (Form 1040-X) typically take?

- A. Up to 12 weeks.
- B. Up to 16 weeks.
- C. More than 20 weeks.
- D. Exactly 24 weeks.

ANSWER: C. More than 20 weeks.

According to current IRS guidance, processing an amended return (Form 1040-X) typically takes more than 20 weeks. The IRS website explicitly states this timeframe and advises taxpayers to check the "Where's My Amended Return?" online tool for the most up-to-date status. Options A, B, and D provide specific timeframes that are either outdated or too precise, given the variability in processing times.

Topic: Amended Returns - Processing Time

QUESTION 18

18. Maria submitted her 2020 Form 1040 tax return on time and paid the \$2,000 tax due at the time of filing. After a review, she agreed to amendments on the return by signing an agreement on August 20, 2023, and settled the extra tax of \$5,000 on September 30, 2023. In 2024, she found missing documents that she believes could prove the additional \$5,000 assessment was a mistake. Which statement correctly identifies the deadline for Maria to file a refund claim for the \$5,000?

- A. August 20, 2025, two years after the agreement was signed
 - B. April 15, 2025, three years after the original return's due date
 - C. A refund claim cannot be made once an examination agreement form is signed
 - D. September 30, 2025, two years after paying the additional tax
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QUESTION 22

22. Under which of the following circumstances would a taxpayer's account most likely NOT be designated as Currently Not Collectible (CNC)?

- A. The taxpayer has recently passed away, and the estate has no assets.
- B. The IRS has assessed the tax, sent a notice and demand for payment, and the taxpayer has sufficient assets and income to pay the liability but refuses to do so.
- C. The statute of limitations for collection has expired.
- D. The taxpayer has moved overseas, and the IRS cannot locate them.

ANSWER: B. The IRS has assessed the tax, sent a notice and demand for payment, and the taxpayer has sufficient assets and income to pay the liability but refuses to do so.

A taxpayer's account is designated as Currently Not Collectible (CNC) when the IRS determines that it cannot collect the tax liability at the present time due to various reasons. These reasons typically involve the taxpayer's inability to pay, either because they cannot be located, their assets cannot be found, or they genuinely lack the financial resources. Option B describes a situation where the taxpayer can pay but refuses to do so. This is not a basis for CNC status. The IRS would pursue enforced collection actions (liens, levies, etc.) in this scenario, not designate the account as uncollectible. Options A, C, and D all describe situations that would likely lead to CNC status.

Topic: Currently Not Collectible (CNC) Status

QUESTION 44

44. Which of the following individuals has unlimited representation rights before the IRS, allowing them to represent clients on any tax matter?

- A. An enrolled actuary.
- B. An AFSP participant.
- C. An attorney.
- D. An unenrolled preparer.

ANSWER: C. An attorney.

Attorneys, CPAs, and Enrolled Agents have unlimited representation rights before the IRS. This means they can represent clients on any tax matter, before any IRS office.

Enrolled Actuaries (A): Have limited representation rights, generally restricted to specific Internal Revenue Code sections related to qualified retirement plans.

AFSP Participants (B) are unenrolled preparers; they have limited rights.

Unenrolled Preparers (D): Have very limited representation rights, generally restricted to representing clients whose returns they prepared and signed, and only before examination officers (not appeals or collections). Even if they prepared the return, their rights are limited.

Topic: Practice Before the IRS - Representation Rights

QUESTION 46

46. Terry, who was assessed \$10,000 by the IRS, found documents he believes prove this assessment wrong. How can he claim a refund?

- A. Apply the amount as a credit on his tax return for 2024.
 - B. Submit Form 1045 for a tentative refund.
 - C. File an amended return no later than three years from when he filed the original return for the year in question or two years from when he paid the tax, whichever comes later.
 - D. Immediately initiate a lawsuit for a refund.
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QUESTION 52

52. Assuming none of the individuals listed hold professional credentials like Attorney, CPA, or Enrolled Agent, which one represents a relationship category that could potentially be authorized via Form 2848, Power of Attorney and Declaration of Representative, to represent a taxpayer before the IRS for certain limited purposes?

- A. An unenrolled return preparer who has prepared at least one return for any taxpayer in the past three years.
- B. The unenrolled preparer who prepared the tax return currently under appeal.
- C. The taxpayer's part-time bookkeeper.
- D. The taxpayer's father.

ANSWER: D. The taxpayer's father.

A taxpayer can authorize any individual to represent them before the IRS by filing a valid Form 2848, Power of Attorney and Declaration of Representative, provided the individual is otherwise eligible to practice before the IRS. There is no requirement that the representative be a tax professional. Family members, including a father (D), can be authorized. An unenrolled preparer (A,B,C) has very limited representation rights, even with a Form 2848, and those rights generally only extend to returns they prepared and signed.

Topic: Power of Attorney (Form 2848) - Authorized Representatives

QUESTION 66

66. According to IRS guidelines, within what timeframe must an enrolled agent notify the IRS of a change in their mailing address or email address?

- A. Within 15 days.
- B. Within 30 days.
- C. Within 60 days.
- D. Within 90 days.

ANSWER: B. Within 30 days.

Enrolled agents are required to notify the IRS of a change in their mailing address *or email address* within 30 days of the change. This ensures that the IRS can maintain accurate contact information for important communications regarding enrollment status, renewal, continuing education, and other matters.

Topic: Enrolled Agent - Change of Address

QUESTION 72

72. Robert filed his tax return for the year 2015 on time without any extensions, showing he owed \$7,870 in taxes, which he hasn't paid yet nor has he made any arrangements to extend the statute limitations or compromise the amount. When does the statute of limitations for collecting Robert's tax liability expire?

- A. April 15, 2024
- B. April 15, 2025
- C. December 31, 2025
- D. April 15, 2026

ANSWER: D. April 15, 2026

The IRS generally has 10 years from the date of assessment to collect a tax liability. Robert filed his 2015 tax return on time. The due date for 2015 tax returns (without extensions) was April 15, 2016. The assessment would typically occur shortly after the due date (or the filing date, if filed before the due date).

Therefore, the 10-year collection statute of limitations would expire 10 years after April 15, 2016, which is April 15, 2026.

Topic: Statute of Limitations - Collection

QUESTION 79

79. In which scenario would a taxpayer not be eligible to request an audit reconsideration regarding a tax assessment from a prior year?

- A. If they have new documentation that was not previously considered during the initial examination.
- B. If they have already paid the full amount of the assessed tax.
- C. If they did not participate in the examination nor provided any information to the IRS.
- D. If they did not receive the examination notice due to having moved.

ANSWER: C. If they did not participate in the examination nor provided any information to the IRS.

A taxpayer is generally not eligible for audit reconsideration if they failed to participate in the original audit or provide requested information without good cause (Option C), as reconsideration isn't a substitute for the initial exam. Conversely, having new information (A), having paid the tax (B), or not receiving the original notice due to a move (D) typically do not disqualify a taxpayer from requesting reconsideration and often support it.

Topic: IRS Procedures (Audit Reconsideration)

QUESTION 86

ANSWER: C. Within 30 days of an Administrative Law Judge's decision, either party may appeal to the Secretary of the Treasury or their delegate

If either the Office of Professional Responsibility or the practitioner (respondent) wishes to appeal the decision made by the Administrative Law Judge, they must file the appeal within 30 days of the decision to the Secretary of the Treasury or their delegate.

Topic: Appeal from Administrative Decision

PART 3 - PRACTICE EXAM #2

QUESTION 2

2. Which statement about Continuing Professional Education (CPE) for enrolled agents is correct?

- A. Enrolled Agents are not required to complete any Continuing Professional Education.
- B. Enrolled Agents must complete at least two hours of ethics or professional conduct CPE each year.
- C. Enrolled Agents can carry over excess CPE hours from one enrollment cycle to the next.
- D. Enrolled Agents can only earn CPE credit from live, in-person seminars.

ANSWER: B. Enrolled Agents must complete at least two hours of ethics or professional conduct CPE each year.

Circular 230 requires Enrolled Agents to complete 72 hours of Continuing Professional Education (CPE) during each three-year enrollment cycle. Crucially, within those 72 hours, they must complete a minimum of 16 hours of CPE each year, and at least two of those 16 hours must be on ethics or professional conduct. The other options are incorrect: CPE is required (Option A is false); excess hours cannot be carried over (Option C is false); and CPE can be earned through various methods, not just live seminars (Option D is false).

Topic: Enrolled Agent - CPE Requirements

QUESTION 38

38. In 2025, what is the penalty for each failure to comply with the due diligence requirements for the Earned Income Tax Credit (EITC) claims prepared?

- A. \$150
- B. \$500
- C. \$600
- D. \$635

ANSWER: D. \$635

For failing to meet the EITC due diligence requirements in 2024, the penalty is \$635 per infraction.

Topic: Consequences of Filing EITC Returns Incorrectly

QUESTION 42

42. What penalty applies to a tax preparer for each return where the taxpayer's liability is understated due to an unreasonable position?

- A. The greater of \$250 or 25% of the preparer's income for preparing that specific return or claim.
- B. The greater of \$300 or 30% of the preparer's income for preparing that specific return or claim.
- C. The greater of \$1,000 or 50% of the preparer's income for preparing that specific return or claim.
- D. The greater of \$1,500 or 35% of the preparer's income for preparing that specific return or claim.

ANSWER: C. The greater of \$1,000 or 50% of the preparer's income for preparing that specific return or claim.

A penalty of \$1,000 or 50% of the income earned from the refund may be imposed if the underpayment of tax is due to an unreasonable position taken by the preparer.

Lesson: Understatement of Taxpayer's Liability

QUESTION 45

45. What is the penalty for a tax preparer who endorses or negotiates a client's refund check in 2025?

- A. \$300
- B. \$500
- C. \$600
- D. \$635

ANSWER: D. \$635

A \$635 penalty is assessed against tax preparers who improperly endorse or negotiate a client's refund check.

Lesson: Negotiation of Taxpayer Checks

QUESTION 49

49. Which behavior is NOT considered disreputable conduct for an enrolled agent under current standards?

- A. Using threats or bribes to influence IRS employees.
- B. Failing to submit client funds intended for tax payments.
- C. Assisting someone to practice before the IRS during their disbarment or suspension.
- D. Attending qualifying Continuing Professional Education (CPE) courses as required.

ANSWER: D. Attending qualifying Continuing Professional Education (CPE) courses as required.

Circular 230 defines acts in options A, B, and C as disreputable conduct for practitioners. In contrast, attending required CPE (New Option D) is a professional duty essential for maintaining competence and ethical practice, not disreputable conduct.

Lesson: Sanctions for Violation of the Regulations

QUESTION 64

64. Which of the following statements about modifications to powers of attorney is incorrect?

- A. A designated representative has the right to withdraw from representation for which they have filed a power of attorney.
- B. A taxpayer has the ability to cancel a power of attorney without needing to designate a successor.
- C. A Form 2848 Power of Attorney generally remains in effect for the specified matters until it is revoked by the taxpayer or the representative.
- D. Upon appointing a new representative, both the new and former representatives will be deemed the taxpayer's representative.

ANSWER: D. Upon appointing a new representative, both the new and former representatives will be deemed the taxpayer's representative.

Statement A is correct: A designated representative has the right to withdraw from representation using established procedures. Statement B is correct: A taxpayer can revoke a prior Power of Attorney (POA) without needing to name a successor representative. Statement C (as modified to be true, e.g., stating a POA generally remains effective until revoked) is also correct. Statement D, however, is incorrect. Filing a new Form 2848 appointing a new representative for the same tax matters and periods generally automatically revokes any prior POAs granted for those same matters/periods, unless the taxpayer specifically takes action (like attaching the prior POA and checking a box on the new form) to keep the prior authorization(s) in effect. Therefore, stating that both representatives *will be deemed* active by default upon appointing a new one is incorrect.

Topic: Power of Attorney - Revocation and Substitution

QUESTION 89

89. Under what condition is a taxpayer not required to pay estimated tax for the current year?

- A. The taxpayer had no tax liability the previous year
- B. The taxpayer was a U.S. citizen or resident for the entire year
- C. The taxpayer's previous tax year covered a full 12 months
- D. The taxpayer received a large refund in the previous year.

ANSWER: A. The taxpayer had no tax liability the previous year

Taxpayers are generally required to pay estimated tax if they anticipate owing \$1,000 or more when they file their return for the current year. However, a key exception under IRC §6654(e)(2) states that no estimated tax payment is required (and no penalty will be imposed) if the taxpayer had no tax liability for their previous tax year (Option A), provided that the previous tax year covered a full 12 months (related to Option C) and the taxpayer was a U.S. citizen or resident for that entire year (related to Option B). If these specific prior-year conditions are met, the taxpayer is exempt from paying estimated tax for the current year. Option D, concerning the size of a refund received in the previous year, is irrelevant to determining whether estimated tax payments are required for the current year; the relevant factor is the prior year's tax liability, not the refund amount.

Topic: Estimated Tax (Exception for No Prior Year Tax Liability)

QUESTION 91

91. Which of the following is not considered disreputable conduct that could lead to censure, suspension, or disbarment from practice before the IRS?

- A. Giving false or misleading information, knowingly and willfully, to the Department of the Treasury.
- B. Being *convicted* of any criminal offense under the revenue laws of the United States.
- C. Being *convicted* of any felony under Federal or State law that renders the practitioner unfit to practice before the IRS.
- D. Maintaining a professional website that provides accurate contact information, lists areas of tax expertise, and includes biographical information.

ANSWER: D. Maintaining a professional website that provides accurate contact information, lists areas of tax expertise, and includes biographical information.

Circular 230 defines various actions that constitute disreputable conduct for which a practitioner can be censured, suspended, or disbarred from practice before the IRS. These include giving false or misleading information (Option A), being convicted of a tax crime (Option B), and being convicted of a felony that makes them unfit to practice (Option C). However, maintaining a professional website with accurate information about the practitioner's services, contact details, and background (Option D) is a normal and acceptable business practice. It is not, in itself, disreputable conduct.

Topic: Circular 230 - Disreputable Conduct
