

# ENROLLED AGENT STUDY GUIDE

# 2025-2026

## PART 1, PART 2 AND PART 3



## ERRATA SHEET

TaxTutor Books

# Enrolled Agent Study Guide - ERRATA SHEET

This document contains corrections and clarifications for *Enrolled Agent Study Guide 2025-2026* by *SkillPrep Books* for editions published **from April 12 to May 17, 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.

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## **PART 1 - PRACTICE EXAM #1**

### **QUESTION 22**

**22. Which of the following conditions must be met for a taxpayer to qualify for tax benefits on foreign earned income?**

- A. The taxpayer passes the tax home test.
- B. The taxpayer passes the bona fide residence test.
- C. The taxpayer passes the physical presence test.
- D. The taxpayer meets the tax home test, and meets either the bona fide residence test or the physical presence test.

**ANSWER: D. The taxpayer meets the tax home test, and meets either the bona fide residence test or the physical presence test.**

To qualify for the foreign earned income exclusion, a U.S. taxpayer must meet the tax home test and satisfy either the bona fide residence test or the physical presence test.

*Topic: Foreign Earned Income Exclusion Eligibility*

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### **QUESTION 60**

**60. Which statement about tip income reporting is correct?**

- A. If the taxpayer is an indirectly tipped employee (e.g., a busser or bartender), they are not required to report tips to their employer.
  - B. Any tips the taxpayer reported to their employer are to be included in the wages in box 1 (Wages, tips, other compensation) of their Form W-2.
  - C. If the only tips a taxpayer receives in a month are charged tips (e.g., credit and debit card charges) distributed to them by their employer, they are not required to report these tips to the employer.
  - D. The taxpayer must report the value of all non-cash tips, such as tickets or passes, to their employer on Form 4070.
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### **QUESTION 61**

**61. An unmarried taxpayer fully supports an elderly parent living separately. The taxpayer is claiming the parent as a dependent. Which filing status should the taxpayer use that is generally most beneficial?**

- A. Single
- B. Head of household
- C. Qualifying Surviving Spouse
- D. Married filing separately

**ANSWER: B. Head of household**

Head of Household filing status generally provides a lower tax rate and a higher standard deduction than Single filing status. To qualify for Head of Household, the taxpayer must be unmarried (or considered unmarried) and pay more than half the costs of keeping up a home for a qualifying person. A parent *can* be a qualifying person, even if they don't live with the taxpayer, *provided* the taxpayer pays more than half the costs of keeping up the parent's *main home* for the entire year, *and* the taxpayer can claim the parent as a dependent. The taxpayer does not need to live in the same home. Qualifying Surviving Spouse is only available for two years following the death of a spouse, and Married Filing Separately generally results in a higher tax liability than Head of Household.  
*Topic: Head of Household Filing Status*

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**QUESTION 65**

**ANSWER: A. April 15, 2025**

Combat zone tax deadlines are automatically extended for at least 180 days after leaving the zone. Captain Jones left the combat zone March 31, 2024, so this 180-day period ended around September 27, 2024. Her 2024 tax return's normal due date (April 15, 2025) is after this extension period ended. Thus, her 2024 filing deadline is April 15, 2025.  
*Topic: Military Tax Filing Deadlines (Combat Zone)*

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**QUESTION 81**

**81. For 2024, Kelly is unmarried and paid more than half the cost of keeping up her home. All of the following dependents would qualify Kelly to file as head of household except:**

- A. Kelly's granddaughter, who lived with her but was absent from her home for 10 months in 2024 while attending boarding school.
- B. Kelly's married daughter, who could properly be claimed as a dependent on her mother's return only.
- C. Kelly's mother, whom she can claim as a dependent and whose main home for 2024 was a home for the elderly for which Kelly paid more than one-half the cost.
- D. Kelly's brother, whom Kelly can claim as a dependent, who lived with her for the first five months of the year and then moved into his own separate apartment before passing away later in the year.

**ANSWER: D. Kelly's brother, whom Kelly can claim as a dependent, who lived with her for the first five months of the year and then moved into his own separate apartment before passing away later in the year.**

To qualify for Head of Household status, Kelly must provide a home for a qualifying person for more than half the year (with special rules for parents and temporary absences). Kelly's brother, who moved out to live independently before his death and did not live with Kelly until his death, nor did Kelly maintain his separate main home until death, would not qualify Kelly under the standard rules or the special rule for a deceased qualifying person.

*Topic: Filing Status (Head of Household Qualifying Person)*

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## QUESTION 85

**85. Lauren's husband Mark passed away in October 2024. She supports their two young children, ages 9 and 11, and has not remarried. What filing status can Lauren use in 2024 and for the next two tax years, assuming she remains unmarried?**

- A. Married Filing Jointly for 2024; Qualifying Surviving Spouse for 2025 and 2026.
- B. Qualifying Surviving Spouse for 2024, 2025, and 2026.
- C. Married Filing Jointly for 2024, 2025, and 2026.
- D. Head of Household for 2024, 2025 and 2026.

**ANSWER: A. Married Filing Jointly for 2024; Qualifying Surviving Spouse for 2025 and 2026.**

For 2024, the year her husband Mark passed away, Lauren can file as Married Filing Jointly. For the two tax years following the year of her husband's death (2025 and 2026), if she remains unmarried, has a dependent child living with her for the entire year, and pays more than half the cost of maintaining her home, she can use the Qualifying Surviving Spouse filing status. This status allows her to use the married filing jointly tax rates and standard deduction.

*Topic: Filing Status (Surviving Spouse)*

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## QUESTION 88

**88. Which type of income is not reported on Form 1099-MISC?**

- A. Rents of \$600 or more
- B. Non-employee compensation over \$600
- C. Medical and health care payments of \$600 or more made in the course of a trade or business
- D. Crop insurance proceeds of \$600 or more

**ANSWER: B. Non-employee compensation over \$600**

Since the introduction of Form 1099-NEC, non-employee compensation is reported on this form instead of Form 1099-MISC.

*Topic: Forms for Reporting Income*

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## PART 1 - PRACTICE EXAM #2

### QUESTION 16

**ANSWER: D. \$133,300**

For 2024, the AMT exemption amounts are:

Single/Head of Household: \$85,700

Married Filing Jointly/Qualifying Surviving Spouse: \$133,300

Married Filing Separately: \$66,650

Phaseout thresholds:

Single/Head of Household: \$609,350

Married Filing Jointly/Qualifying Surviving Spouse: \$1,218,700

Married Filing Separately: \$609,350

Eduardo is married filing jointly, so his base exemption is \$133,300. Because his AMTI (\$271,000) is well below the phaseout threshold (\$1,218,700), he does *not* need to reduce his exemption. He can subtract the full \$133,300.

*Topic: Alternative Minimum Tax (AMT) Exemption*

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### QUESTION 27

**27. Which of the following items from last year's tax return is typically unnecessary for completing this year's return?**

- A. State income tax refund
- B. Alternative Minimum Tax (AMT) carryforward credit
- C. Total amount of itemized deductions claimed on the prior year's return
- D. Capital gain or loss carryover

**ANSWER: C. Total amount of itemized deductions claimed on the prior year's return**

Items like prior year State income tax refund details (A), AMT carryforward credits (B), and Capital gain or loss carryovers (D) are typically necessary for current year tax calculations if those situations apply, as they directly impact taxable income or credits.

However, the 'Total amount of itemized deductions claimed on the prior year's return' (C) is generally not a figure directly used in the current year's tax computation. While knowing if itemization occurred in the prior year can be relevant (e.g., for state refund taxability), the specific prior year total itself isn't carried over or directly used to calculate current year deductions or tax liability. Current year itemization decisions are based on current year expenses and the current year standard deduction.

*Topic: Tax Return Preparation*

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## QUESTION 29

**ANSWER: B. Only Sarah's uncle.**

Evaluate dependency for each:

Uncle: Qualifies as a Qualifying Relative (QR). He meets the relationship, gross income (no income, < \$5,050 limit for 2024), and support tests. An uncle does not need to live with the taxpayer.

Cousin (15): Does not qualify.

- Not a Qualifying Child (QC) because he lived with them only 5 months (fails >6 month residency test).

- Not a Qualifying Relative (QR) because, as a cousin who is not a QC, he would need to live with the taxpayer for the entire year to meet the member of household test for a QR. Five months is insufficient.

Conclusion: Only Sarah's uncle qualifies as a dependent.

*Topic: Dependents (Qualifying Relative Tests - Residency/Relationship)*

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## QUESTION 54

**54. Daniel, age 38, is a widowed taxpayer with two minor children and provides for all household costs. His spouse passed away in the previous year. Which filing status would likely offer him the lowest tax rate?**

- A. Married filing separately
- B. Head of household
- C. Qualifying Surviving Spouse with dependent child
- D. Married filing jointly

**Question 54 - C. Qualifying Surviving Spouse with dependent child**

A taxpayer whose spouse died in the *previous* tax year may be eligible to use the Qualifying Surviving Spouse (QSS) filing status for the current tax year (and the next year) if they meet certain conditions: have not remarried, could have filed MFJ in the year of death, and provide >50% of the cost of maintaining a home for the entire year for their dependent child. Daniel's spouse died in 2023 (the previous year). He meets the conditions for 2024 (widowed, supports dependent children living with him). QSS status provides the same standard deduction and tax brackets as MFJ, which is generally more favorable than Head of Household (B) or Single. MFJ (D) is only available in the year of death.

*Topic: Filing Status*

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## QUESTION 95

**ANSWER: A. \$7,000**

The annual gift exclusion for 2024 is \$18,000. Eleanor's gift exceeds this by \$7,000, which is the taxable portion.

*Topic: Gift Tax*

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## **PART 2 - PRACTICE EXAM #1**

### **QUESTION 24**

**ANSWER: C. \$600**

As a 50% partner, Zara's share of 'book' depreciation (on the \$12,000 FMV asset) is \$600. The partnership's total tax depreciation (on its \$6,000 tax basis) is also \$600. Under IRC Section 704(c), to account for the pre-contribution gain, Zara (the non-contributing partner) is allocated tax depreciation equal to her book share, limited to the total tax depreciation available. Thus, Zara is allocated the entire \$600.

*Topic: Partnership Depreciation Deductions*

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### **QUESTION 45**

**ANSWER: B. Thompson, Ltd. reports the expense in 2023 and Alice reports the income in 2024**

Alice, using the cash basis, includes income when actually received (2024). Thompson, Ltd., using accrual accounting, typically reports an expense when it accrues (2023). If related-party rules (IRC Sec. 267) that could defer Thompson, Ltd.'s deduction are disregarded for this question's basic timing focus, then the interest is expensed by Thompson, Ltd. in 2023, and reported as income by Alice in 2024 when received.

*Topic: Accounting Methods*

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### **QUESTION 48**

**48. Special rules apply to like-kind exchanges between related persons. Under these rules, related persons include:**

- A. The taxpayer and a member of his or her family
  - B. The taxpayer and a corporation in which the taxpayer directly or indirectly owns more than 50% of the stock (by value).
  - C. The taxpayer and a partnership in which the taxpayer directly or indirectly owns more than 50% of the capital interest or the profits interest.
  - D. All of the above
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### QUESTION 67

**67. Patricia exchanged her old laptop used in her business for a new laptop valued at \$6,000 that she will also use in her business. In addition to her old laptop, Patricia paid \$4,500 cash for the new laptop. Her old laptop was worth \$1,500 and had an adjusted basis of \$600. What is Patricia's basis for depreciation in the new laptop?**

- A. \$1,200
- B. \$2,100
- C. \$3,600
- D. \$6,000

**ANSWER: D. \$6,000**

Since the TCJA, like-kind exchange rules (Sec. 1031) don't apply to personal property like laptops. This is treated as a sale of the old laptop (recognizing a \$900 gain) and a purchase of the new one. Therefore, the new laptop's basis for depreciation is its \$6,000 cost.

*Topic: Basis of Property Received in Exchange*

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### QUESTION 83

**83. In 2022, Mark purchased a new hybrid vehicle on June 1st for \$20,000 and claimed a \$2,500 deduction for clean fuel vehicles on his 2022 tax return. He used the vehicle only for personal purposes in 2022. Starting January 1, 2024, he began using it solely for business. The fair market value on that date was \$19,000. What is the depreciable basis of the vehicle as of January 1, 2024?**

- A. \$16,500
  - B. \$17,500
  - C. \$19,000
  - D. \$20,000
-

## PART 2 - PRACTICE EXAM #2

### QUESTION 12

**ANSWER: D. \$15,000**

Prepaid insurance premiums are typically deducted over the period they cover. However, a key exception is the 12-month rule. This rule allows a taxpayer to currently deduct a prepaid expense if the right or benefit created does not extend beyond the earlier of:

- 12 months after the first date the taxpayer realizes the right or benefit, OR
- The end of the tax year following the tax year in which the payment was made.

In this scenario, the policy covers exactly 12 months (June 1, 2024 / May 31, 2025). This falls squarely within the 12-month rule. Charlie is permitted to deduct the full \$15,000 in 2024.

*Topic: Prepaid Expenses (12-Month Rule)*

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### QUESTION 51

**ANSWER: B. Alice no gain and Mark \$8,000 gain**

Mark's \$8,000 recognized gain is due to the cash 'boot' received; Alice's transaction involving cash for stock and receipt of land is treated as resulting in no gain for her under the Section 351 formation context.

*Topic: Recognition of Gain on Property for Stock Exchange*

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### QUESTION 62

**ANSWER: D. When the liquidating distribution equals or exceeds \$600 in a calendar year**

Form 1099-DIV is required for each person to whom the corporation has paid dividends and other distributions on stock when it amounts to \$600 or more in the case of a liquidating distribution.

*Topic: Reporting Dividends and Other Distributions*

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### QUESTION 72

**ANSWER: B \$1,000**

Frank's basis was his \$9,000 cost. He realized a \$4,000 gain when selling for \$13,000. This \$4,000 gain is reduced by Judy's \$3,000 previously disallowed loss (from the related-party sale), resulting in Frank's recognized gain of \$1,000.

*Topic: Capital Gains on Related-Party Transactions*

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## **PART 3 - PRACTICE EXAM #1**

### **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*

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### **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*

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## **PART 3 - PRACTICE EXAM #2**

### **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 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 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)*

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## **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*

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