

INTERNAL REVENUE SERVICE

Enrolled Agent Special Enrollment Examination

Candidate Information Bulletin

For examination period May 1, 2012 to February 28, 2013

Register online at www.prometric.com/see

Published by



www.prometric.com/see

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Introduction

A message from the IRS

An enrolled agent is a person who has earned the privilege of representing taxpayers before the Internal Revenue Service by passing a three-part comprehensive IRS test. A person wishing to become an enrolled agent must pass a three-part Special Enrollment Examination (SEE) as well as a suitability check. The information contained in this bulletin will help explain the steps needed to take the SEE and to become an enrolled agent. We wish you well in preparing for your examination.

At a glance

Follow these steps if you are interested in becoming an enrolled agent.



To become an enrolled agent

- 1** Review this bulletin thoroughly to understand examination registration.
- 2** Contact Prometric to register for your examination, and to schedule an appointment and pay to take the examination. (See Page 2.)
The quickest way to register is online at www.prometric.com/see.
- 3** Prepare for your examination. (See Page 4.)
The examination topics listed in this bulletin on Page 10 are the basis for the examination.
- 4** Bring the required identification to the test center and take the scheduled examination. (See Page 5.)
You will receive your results immediately after the examination.
- 5** Upon successfully passing all three parts of the examination, complete the IRS Application for Enrollment to Practice Before the Internal Revenue Service (Form 23) available online at www.irs.gov/taxpros/agents.



To get answers not provided in this bulletin

Direct all questions and requests for information about the examination to:

Prometric

Attn: IRS Special Enrollment Examination
1260 Energy Lane
St. Paul, MN 55108
Scheduling: 800.306.3926
Web site: www.prometric.com/see
Registration Fax: 800.347.9242

Direct questions about applying for enrollment to:

Internal Revenue Service Office of Enrollment

Phone: 313.234.1280
Fax: 313.234.1293
E-mail: EPP@irs.gov

Answers to many questions can be found at www.irs.gov/taxpros/agents.

Registering and scheduling an examination appointment

First step is to obtain a PTIN

Applicants based in the U.S. must have a Preparer Tax Identification Number (PTIN) issued by the Internal Revenue Service (IRS) in order to register to take the examination. Foreign-based test candidates do not need a PTIN in order to register to take the examination.

To get your PTIN online

The IRS Tax Professional PTIN Sign-up System is available at www.irs.gov/ptin. Once online, you will need to:

Create Your Account — Provide your name, email address, and security question information. The system will then email your temporary password, which you will change when you go back to enter your information in the PTIN application.

Apply for Your PTIN — Complete the online application by providing personal information, information about your previous year's tax return, professional credentials, and more.

Pay Your Fee — Make your payment of \$64.25 by credit card, direct debit, or eCheck.

Get Your PTIN — After the bank confirms your payment, you will receive your PTIN.

It takes about 15 minutes to sign up online and receive your PTIN. If you opt to use the paper application, **Form W-12** IRS Paid Preparer Tax Identification Number (PTIN) Application, it will take 4-6 weeks to process.

PTIN renewal

PTINs must be renewed annually by December 31 for the following year. Renewal Open Season begins each year in mid-October.

Registration process

To register for an examination, you must complete Form 2587.

To register and schedule an examination online, follow these steps:

Access www.prometric.com/see and click **Register for your test**.

If it is your first time, click **Create Account** to set up your user ID and password.

Complete the registration process by clicking on **Scheduling**.

Scheduling an examination

You may take each part of the examination at your convenience. Parts do not have to be taken on the same day or on consecutive days. You may take examination parts up to four times each during each test window. The current test window is May 1, 2012 to February 28, 2013.

Once your registration has been processed, you can schedule an examination appointment at any time online at www.prometric.com/see or by calling 800.306.3926 between 8 a.m. and 8 p.m. (ET), Monday through Friday. You will receive a number confirming your appointment. Keep this confirmation number for your records—you will need it to reschedule, cancel or change your appointment.



Note You must schedule your examination within **one year** from the date your registration form has been processed by Prometric. Testing is not available in the months of March and April each year while the system is updated.

Testing fee

The testing fee is \$105 for **each part** of the examination. This fee is paid at the time you schedule your examination. Accepted forms of payment include MasterCard, Visa, American Express, Discover, Diner's Club cards bearing the MasterCard symbol and JCB. Electronic checks are also accepted when scheduling by phone. **Money orders, paper checks and cash are not accepted.**

Examination testing **fees are not refundable or transferable.**

Examination locations

Examinations are administered by computer at Prometric test centers. Test centers are located in most major metropolitan areas. A list of test centers, addresses and driving directions is located at www.prometric.com/see. In the box titled **Do More**, click on "Continue" and select your preferred location. Most locations are open on Saturdays and some locations are open on Sundays and evenings.

Rescheduling an appointment

If you need to reschedule an examination for another date, time or location, you must contact Prometric.

Rescheduling fees will apply as follows:

No fee if you reschedule at least **30 calendar days** prior to your appointment date.

\$35 fee if you reschedule **five to 29 calendar days** before your appointment date.

Another full examination fee if you reschedule **less than five calendar days** before your appointment date.



Note Rescheduling an examination must be done online at www.prometric.com/see or by calling 800.306.3926. You cannot reschedule an examination by fax, e-mail or voicemail. Customer Service Representatives are available to take your call Monday through Friday, between 8:00 a.m. and 8:00 p.m. Eastern Time.

If absent or late for your appointment

If you miss your appointment or arrive late and are not allowed to test, your entire examination fee will be forfeited and you must pay another examination fee to schedule a new appointment.

Emergency closings

Severe weather or an emergency could require canceling scheduled examinations. If this occurs, Prometric will attempt to contact you by phone or e-mail; however, you may check for testing site closures at www.prometric.com/sitestatus. If the test center is closed, your examination will be rescheduled without a rescheduling fee.

If a test center is open and you choose not to appear for your appointment, your fee will be forfeited. You must then reschedule your examination and pay another full examination fee.

Special test considerations

ADA accommodation. If you require testing accommodations under the Americans with Disabilities Act (ADA), please call Prometric at 888.226.9406 to obtain an accommodation request form.

A language barrier is not considered a disability.

Preparing for your examination

Study materials

In studying for the examination, you may wish to refer to the Internal Revenue Code, Circular 230, IRS publications, as well as IRS tax forms and accompanying instructions. Circular 230, IRS publications, as well as tax forms and accompanying instructions are online at www.irs.gov. This material is also available from the IRS in DVD format at a cost of \$30. To order the IRS Tax Products DVD (Publication 1796) by phone, call 877.233.6767. There is an additional \$5 handling fee if ordered by phone. To avoid the handling fee, the DVD can be ordered via the Web at www.ntis.gov/products/irsdvd.aspx. The Tax DVD has IRS tax forms, instructions and publications in an easy-to-use format, and includes a copy of the Internal Revenue Code and links to other Tax Research materials.



Important From May 1, 2012 — February 28, 2013, all references on the examination are to the Internal Revenue Code, as amended through December 31, 2011. Also, unless otherwise stated, all questions relate to the calendar year 2011.

Examination topics overview

The examination contains three parts. Each part contains 100 multiple-choice questions. The length of each part is 3.5 hours (not including the pre-examination tutorial and post-examination survey). The parts of the examination are:

SEE1: Part 1 — Individuals

SEE2: Part 2 — Businesses

SEE3: Part 3 — Representation, Practices and Procedures

Detailed content outlines for each examination part appear in this bulletin beginning on Page 10.

Prometric conducted a survey of enrolled agents to determine the tasks that they perform and the knowledge needed to perform those tasks. Based on the survey, a test blueprint was developed as well as test questions.



Note You can view copies of prior Special Enrollment Examination questions and answers by going www.irs.gov/taxpros/agents.

Taking your examination

Test center procedures

Your examination will be administered via computer at a Prometric test center. You do not need any computer experience or typing skills to take your examination. Before you start the examination, you will receive a personalized introduction to the testing system. You can also take a pre-examination tutorial if you wish. You should arrive at the test center at least **30 minutes before** your scheduled examination appointment.

Identification required. You must present a valid, nonexpired form of identification before you can test. That identification document **must**:

Be government-issued (e.g., driver's license, passport, state-issued identification card or military identification card);

Contain **both** a current photo and your signature (if it does not, you must present two identification cards: one with your photo and one with your signature); and

Have a name that exactly matches the name used to register for the examination (including designations such as "Jr." and "III")



Important Failure to provide appropriate identification at the time of the examination is considered a missed appointment. As a result, you forfeit your examination fee.

If you cannot provide identification that meets the requirements listed above, contact Prometric **before** scheduling your appointment to arrange an alternative way to meet this requirement.

Non-disclosure agreement

In order to access the examination, candidates must read and agree to the terms of the non-disclosure agreement with IRS which reads:

This exam is confidential and proprietary. It is made available to you, the examinee, solely for the purpose of assessing your proficiency level in the skill area referenced in the title of this exam. You are expressly prohibited from disclosing, publishing, reproducing, or transmitting this exam, in whole or in part, in any form or by any means, verbal or written, electronic or mechanical, for any purpose, without the prior express written permission of the IRS.

Reference materials

The examinations are closed book, so no reference materials, papers or study materials are allowed at the test center. You will not be able to leave the testing room with a copy of any notes taken during the examination. Some examination questions may contain excerpts from the Internal Revenue Code or Income Tax Regulations.

Calculator usage

You will be able to use an onscreen calculator during the examination. Prometric will furnish you with a handheld calculator that is silent, solar or battery-operated and nonprogrammable (without paper tape-printing capabilities or alphabetic keypads)

to use during the examination. You **are not allowed** to bring your own calculator to the test center.

Scratch paper

You will be provided with a packet of scratch paper and a pencil to use during the examination. You may not bring your own scratch paper or pencil. The test center administrator will collect all scratch paper (used and unused) upon completion of the examination. Removing scratch paper from the test center is considered an act of misconduct.

Test center regulations

To ensure that all candidates are tested under equally favorable conditions, the following regulations and procedures will be observed at each test center. Prometric reserves the right to audiotape and videotape any test session.

- 1** You will be continuously monitored by video, physical walk-throughs and the observation window during your test.
- 2** You must present valid (unexpired) and acceptable identification in order to take your test. (See "Identification required" in the above section).
- 3** You are required to sign out on the test center roster each time you leave the test room. You must also sign back in and show your identification to the test center administrator in order to be re-admitted to the test room.
- 4** You are **prohibited** from communicating, publishing, reproducing, or transmitting any part of your test, in any form or by any means, verbal, written, or electronic, for any purpose.
- 5** You **must not** talk to other candidates or refer to their screens, testing materials, or written notes in the test room.
- 6** You **may not** use your own written notes, published materials, or other testing aids during your test. Any materials that you are allowed to use during the test will be provided to you by Prometric at the test site on the day of testing.
- 7** You are **allowed** to bring soft earplugs or center-supplied noise-blocking headphones in the test room.
- 8** Any clothing or jewelry items allowed to be worn in the test room must remain on your person at all times. Removed clothing or jewelry items must be stored in your locker.
- 9** You **must not** bring any personal/unauthorized items into the test room. Such items include but are not limited to outerwear, hats, food, drinks, purses, briefcases, notebooks, pagers, watches, cellular telephones, recording devices, and photographic equipment. Weapons are not allowed at any Prometric Test center. You will be asked to empty and turn your pockets inside out prior to every entry into the test room to confirm that you have no prohibited items.
- 10** You will be scanned with a metal detector wand prior to every entry into the test room. If you refuse, you cannot test.
- 11** You **must** return all materials issued to you by the test center administrator at the end of your test.
- 12** You are not allowed to use any electronic devices or phones during breaks.
- 13** Your test has no scheduled breaks. If you take an unscheduled break, the test timer will continue to count down.
- 14** Repeated or lengthy departures from the test room for unscheduled breaks will be reported by the test center administrator.

- 15** If you need access to an item stored in the test center locker during a break such as food or medicine, you must inform the test center administrator **before** you retrieve the item. You are not allowed to access any prohibited item (as defined by the IRS).
- 16** You must conduct yourself in a civil manner at all times when on the premises of the test center. Exhibiting abusive behavior towards the test center administrator, or any other staff member of the test center, may result in criminal prosecution.
- 17** To protect the privacy of all testers, the test center administrator can neither confirm nor deny if any particular individual is present or scheduled at the test center.
- 18** Persons not scheduled to take a test are not permitted to wait in the test center.

If questions arise. Test center administrators are not allowed to answer any questions pertaining to the examination content. If you do not understand a question on the examination, you should answer the question to the best of your ability.

Failure to follow any of these security procedures may result in the disqualification of your examination. The IRS takes candidate misconduct, including cheating, very seriously. If the IRS determines that a candidate is culpable of misconduct or has cheated, the candidate will be subject to a variety of penalties including, but not limited to invalidation of test scores, disqualification from subsequent test administrations, and civil and criminal penalties. In cases where candidate misconduct or cheating is discovered after a candidate has obtained an enrolled agent card, the IRS may rescind the card.

Question types

The questions on your examination are multiple choice. Each question provides four options from which you choose your answer.

Question formats. Three different multiple-choice formats are used. Each format is shown in the following examples.

Format 1—Direct question

Which of the following entities are required to file Form 709, United States Gift Tax Return?

- A. An individual
- B. An estate or trust
- C. A corporation
- D. All of the above

Format 2—Incomplete sentence

Supplemental wages are compensation paid in addition to an employee's regular wages. They **do not** include payments for:

- A. Accumulated sick leave
- B. Nondeductible moving expenses
- C. Vacation pay
- D. Travel reimbursements paid at the Federal Government per diem rate

Format 3—All of the following except

There are five tests which must be met for you to claim an exemption for a dependent. Which of the following is **not** a requirement?

- A. Citizen or Resident Test
- B. Member of Household or Relationship Test
- C. Disability Test
- D. Joint Return Test

Experimental questions. Your examination may include some experimental questions that will not be scored. If present, they are distributed throughout the examination and will not be identified as such. These are used to gather statistical information on the questions before they are added to the examination as scored items. These experimental questions **will not** be counted for or against you in your final examination score.

Examination results

You will receive a printed score report after you have completed the test. Examination scores are confidential and will be revealed only to you and the IRS.

Scaled scores are determined by calculating the number of questions answered correctly from the total number of questions in the examination and converting to a scale that ranges from 40 to 130. The IRS has set the scaled passing score at 105, which corresponds to a minimum level of knowledge deemed acceptable by those persons who will be practicing before the IRS as an enrolled agent.

Pass. If you pass, the score report will show a passing designation. It will not show a score. All score values above passing indicate that a candidate *is* qualified — not *how* qualified. When you pass all three parts of the examination, you can file Form 23, Application for Enrollment to Practice Before the Internal Revenue Service.

Fail. If you fail, your score report will show a scaled score between 40 and 104. You will also receive diagnostic information to assist you with future examination preparation. Diagnostic information will show an indicator of 1, 2, or 3 meaning:

- 1** Considerably below the minimally acceptable score. It is important for you to approach how you study this topic as you prepare to take the test again. You may want to consider taking a course or participating actively in a study group on this topic.
- 2** Marginally below the minimally acceptable score. You should study this topic in detail as you prepare to take the test again.
- 3** At or above the minimally acceptable score. Be sure to review this topic as you prepare to take the test again.



Important You must reschedule and pass any parts of the examination you failed prior to applying for enrollment.

Feedback

Candidates will be surveyed at the conclusion of the examination, which will allow you to provide both Prometric and the IRS with feedback on the examination questions or the testing experience.

Written inquiries

If you have a question or concern, you may write to:

Prometric
ATTN: IRS SEE Feedback
 1260 Energy Lane
 St. Paul, MN 55108

Please include your name, PTIN, the examination name, the date you tested, and the details of your concern. Concerns relating to specific examination questions must be submitted in writing.

Applying for enrollment

After passing all three parts of the examination, you must file Form 23, Application for Enrollment to Practice Before the Internal Revenue Service, within one year of the date you passed all parts of the examination. Form 23 is available online at www.irs.gov/taxpros/agents. Copies of the score report do not need to be submitted to the IRS when submitting your application for enrollment (Form 23).

As part of the evaluation of your enrollment application, the Internal Revenue Service will conduct a suitability check that will include a review of your personal tax compliance.

Rescheduling failed examination parts

You do not need to take more than one part of the examination (SEE 1, SEE 2 or SEE 3) on the same day or consecutive days. Between the May 1 and February 28 test window, you may take each part of the examination up to four times.

If you fail any part of the examination, you must re-register with Prometric online at www.prometric.com/see or by calling 800.306.3926.

If you do not pass a part of the examination after four attempts during the May 1 to February 28 test window, you must wait until the next test window before attempting to retake any failed part of the examination again.

Carryover policy

Carryover of scores. Candidates who pass a part of the examination can carry over passing scores up to two years from the date the candidate took the examination. For example, assume a candidate took and passed part 1 on November 15, 2011. Subsequently the candidate took and passed part 2 on February 15, 2012. That individual has until November 14, 2013 to pass the remaining part. Otherwise, he/she loses credit for part 1. On February 14, 2014, if that individual still has not passed all other parts of the examination, he/she loses credit for part 2.

Examination content outlines

The following is a list of topics for each part of the examination. Not every topic on the list will necessarily appear on the examination and the list should not to be viewed as all-inclusive. Some topics may appear in more than one examination part.

However, this list is based on the results of a survey sent to over 10,000 enrolled agents and it represents the knowledge needed for the tasks performed by enrolled agents.

This list is also available online at www.prometric.com/see.

Part 1 – Individuals

Section 1: Preliminary Work and Taxpayer Data – 15 items

Preliminary work to prepare tax returns

- Use of prior years' returns for comparison (e.g., reviewing prior Individual form 1040 returns)
- Accuracy of prior year's return (e.g., Review of prior year's return for compliance, accuracy and completeness)
- Taxpayer biographical information (e.g., date of birth, age, marital status, dependents)
- Immigration status and/or citizenship (e.g., citizen, visas, green cards, resident alien or non-resident alien)
- Taxpayer filing status (e.g., single, MFJ, MFS, widow, HOH)
- Sources of all income (e.g., interest, wages, business, sales of property, dividends, interest, rental income)
- Sources of applicable adjustments to gross income (e.g., retirement plans, HSAs, alimony, health insurance, moving expenses, self employment tax)
- Sources of applicable deductions (e.g., itemized, standard)
- Sources of applicable credits (e.g., education, file tax, retirement, energy, child care)
- Tax payments (e.g. withholding, estimated payments, earned income tax credit)
- Determine if individual and/or business entity involved (e.g., methods of determination)
- Items that will affect future returns (e.g., carryover, operating losses, NOL, schedule D, 8801)
- All required taxes filed (e.g., employment, gift, estimated)

Special filing requirements (e.g., gifts, foreign income, presidentially declared disaster areas)

Tax returns for individuals, taxpayer data

- Filing requirements for tax returns and extensions (e.g., dates)
- Personal exemptions including dependents
- Taxation of unearned income of certain minor children (Kiddie tax)
- Special requirements for Form 1040-NR
- Section 2; Income and Assets (25%)

Section 2: Income and Assets – 25 items

Income

- Taxability of wages, salaries and other earnings (e.g., earned income)
- Interest Income (e.g., taxable and non-taxable)
- Dividends and other distributions from mutual funds, corporations, and other entities (e.g., qualified dividends)
- Rental income and expenses (e.g., vacation homes, NFP rentals, calculation of depreciation)
- Gambling income and allowable deductions (e.g., W-2G, documentation)
- Tax treatment of forgiveness of debt (e.g., 1099C)
- Tax treatment of a U.S. citizen/resident with foreign earned income (e.g., individual tax treaties, form 2555)
- Other income (e.g., scholarships, fellowships, Social Security benefits, barter income, independent contractor income, hobby income, alimony, non-taxable combat

pay, earned income vs non-earned income)
Constructive receipt of income (e.g., cash vs accrual)

Retirement income

- Basis in a traditional IRA (Form 8606)
- Comparison of traditional IRA and Roth IRA
- Distributions from qualified plans (e.g., pre-tax, after-tax)
- Excess contributions and tax treatment (e.g., penalties, 1099R)
- Prohibited transactions and tax effects relating to IRAs
- IRA conversions and recharacterizations (Form 8606)
- Excess accumulations and required minimum distributions
- Loans from IRC section 401(k) plans and other qualified plans

Property, real and personal

- Capital gains and losses (e.g., netting effect, short-term, long-term)
- Basis of assets (e.g., purchased, gifted or inherited)
- Basis of stock after stock splits and/or stock dividends (e.g., research, schedules, brokerage records, options)
- Sale of property (e.g., documentation)
- Sale of a personal residence (e.g., Sec 121 exclusions)
- Installment sales (e.g., related parties, original cost, date of acquisition, possible recalculations and recharacterization)

Adjustments to income

- Adjustments to income (e.g., retirement contributions, student loan interest, alimony)
- Self-employment tax

Section 3: Deductions and Credits – 25 items

Retirement deductions - (relating to IRAs)

Contribution limits and deductibility of contributions
 Earned compensation
 Modified adjusted gross income

Itemized deductions

Medical and dental expenses (e.g., subject to AGI limitation)
 Deductibility of various types of taxes (e.g., sales, real estate, state and local)
 Interest expense (e.g., mortgage interest, investment interest, tracing rules, points)
 Charitable contributions (e.g., cash, non-cash, 50% vs 30%, documentation required)
 Nonbusiness casualty and theft losses (e.g., form 4864)
 Non-business bad debts (e.g., documentation required)
 Miscellaneous itemized deductions (e.g., subject or not subject to 2%)
 Employee travel, transportation and entertainment expenses (e.g., business purpose)
 Employee education expenses
 AGI limitations on itemized deductions
 Allowed itemized deductions for Form 1040-NR

Credits

Child and dependent care credit
 Child tax credit
 Education credits
 Foreign tax credit
 Earned income tax credit (EITC)

Section 4: Taxation and Advice – 20 items

Taxation

Alternative minimum tax
 Credit for prior year minimum tax
 Premature distribution(s) from retirement plans
 Household employees (e.g., Schedule H)
 Estimated tax
 Injured spouse (e.g., applicable rules)
 Conditions for filing a claim for refund (e.g., amended returns, Form 911, documentation)

Minimization of taxes paid

Adjustments, deductions, and credits
 Retirement plans
 Earned income credit (e.g., eligibility, preparer documentation)
 Education credits and tuition deduction
 Adoption credits (e.g., carryovers, limitations, disabled child)

Use of capital gain rates versus ordinary income rates (e.g., character of transaction)

Advising the individual taxpayer

Reporting obligations for individuals (e.g. sale of home)
 Property sales (e.g., real and personal such as homes, stocks, and businesses, internet sales)
 Education planning (e.g., Hope credit, lifetime learning credit, IRC section 529 plans)

Estate planning (e.g., gift versus inheritance, trusts, family partnerships, charitable giving, LTC)

Retirement planning (e.g., annuities, IRAs, employer plans, early retirement rules, required minimum distribution, beneficiary ownership)

Marriage and divorce (e.g., pre- and post-nuptial agreements, divorce settlement, common-law or community property)

Section 5: Specialized returns for individuals – 15 items

Estate tax

Gross estate
 Taxable estate: calculations and payments
 Unified credit
 Jointly-held property
 Life insurance and taxable estate
 Marital deduction and other marital issues
 IRAs and retirement plans
 Filing requirements

Gift tax

Gift-splitting
 Annual exclusion
 Unified credit
 Effect on estate tax (e.g., Generation skipping tax)
 Filing requirements

Part 2 – Businesses

Section 1: Businesses – 45 items

Business entities

Types of business entities and their filing requirements:
 Sole proprietorships
 Partnerships
 Corporations
 S corporations
 Farmers
 LLCs
 Tax-exempt companies and associations
 Elections for type of entity
 Employer identification number
 Accounting periods (tax year)
 Accounting methods

Partnerships

Partnership income, expenses, distributions, and flow-through (e.g. self-employment income)

Family partnerships
 Partner's dealings with partnership (e.g., exchange of property, guaranteed payment, contribution of property to partnership)
 Basis of partner's interest
 Disposition of partner's interest

Corporations in general

Filing requirements and due dates
 Earnings and profits
 Shareholder dividends (definition and reporting requirements)
 Special deductions (e.g., dividends received deductions, charitable deduction).
 Reconciling books to return (e.g., Schedule M series)
 Distributions and recognition requirements
 Liquidations and stock redemptions

Forming a corporation

Services rendered to a corporation in return for stock
 IRC section 351 exchange
 Transfer of money or property; receipt of money or property in addition to the stock of that corporation
 Mortgaged property transferred
 Exchange of property other than an IRC section 351 exchange
 Controlled groups
 Closely held corporations
 Personal service corporations (e.g., 35% rate)

S corporations

Requirements to qualify including election procedure (e.g., Form 2553 election, attachment to return)
 Tax law related to S corporation
 Treatment of distributions
 Shareholder's basis (e.g., loan basis)
 Status (e.g., terminated and reinstated)
 Debt discharge
 Non-cash distributions

Section 2: Business Financial Information – 40 items

Business income

Gross business income
 Cost of goods sold (e.g., inventory practices, expenditures included, uniform capitalization rule)
 Net income, net operating losses, and loss limitations including passive activity and at risk limitations
 Gain or loss on disposition of depreciable property

Business expenses, deductions and credits

Employees' pay (e.g., deductibility of compensation, fringe benefits, rules of family employment, statutory employee, necessary and reasonable)
 Reporting requirements for company employees (W-2, W-4, Form 1099)
 Business rental deduction
 Depreciation, amortization, IRC section 179, and depletion
 Business bad debts
 Business travel, entertainment, and gift expenses
 Interest expense
 Insurance expense
 Taxes (e.g., deductibility of taxes, assessments, and penalties; proper treatment of sales taxes paid)
 Employment taxes
 Federal excise tax
 Casualties, thefts, and condemnations
 IRC section 199 deduction (domestic production activities)
 Eligibility and deductibility of general business credits (e.g., welfare-to-work credit, disabled access credit, investment credit)

Business assets

Basis of assets
 Disposition of depreciable property
 Like kind exchange

Analysis of financial records

What type of business (e.g., service, retail, manufacturer, or farm)
 Income statement
 Balance sheet
 Method of accounting (e.g., accrual, cash, hybrid, OCBOA)
 Depreciation and amortization
 Depreciation recovery (e.g., recapture, Sec 280F)
 Determination of basis of assets
 Shareholder/partner basis
 Pass-through activity (e.g., K-1)
 Proofing beginning and ending balances
 Reconciliation of tax versus books (e.g., M-1, M-2)
 Related party activity

Advising the business taxpayer

Filing obligations (e.g., extended returns)
 Depositing obligations (e.g., employment tax, excise tax)
 Reporting obligations for businesses, (e.g. IRC sections 1099 and 1031 exchanges)

Record-keeping requirements (mileage log, cell phone usage, accountable plans)
 Related party transactions
 Definitions of business entities
 Client habits (e.g., personal usage of business accounts, separation of business and personal accounts)
 Benefits and detriments of choosing each type of business entity
 Advice on accounting methods and procedures (e.g., explanation of requirements)

Transfer elections in or out of the business (e.g., contributed property, distributions)
 Life cycle of the business (e.g., startup, decline)
 Type of industry (e.g., personal service corporation)

Section 3: Specialized returns and tax payers – 15 items

Trust and estate income tax

Trust types (e.g., grantor, irrevocable, tax shelters)
 Distributable net income
 Exclusions and deductions
 Fraudulent trusts
 Income in respect of a decedent
 Income

Exempt organizations

Filing requirements (e.g., 1023, 1024, Annual 990)
 Qualifications for tax-exempt status (e.g., 501(c)(3))

Retirement plans

Employer contributions
 Employee contributions and reporting requirements
 Plans for self-employed persons
 Prohibited transactions
 Qualified plans
 SEP and SIMPLE

Farmers

Farm inventory
 Depreciation for farmers (e.g., special use)
 Various disaster-area provisions
 Disposition of farm assets

Part 3 – Representation, Practices and Procedures

Section 1: Practices and Procedures – 33 items

Becoming an enrolled agent

What constitutes practice before the IRS
 Categories of individuals who may practice
 Enrollment cycle
 Period of enrollment
 Effective date of renewed enrollment
 Enrollment card or other credentials

How to appeal a denial of an application for enrollment
 Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers before the IRS (Treasury Department Circular 230)

Requirements for Enrolled Agents

What information to be furnished to the IRS
 When to advise a client about an omission or error on any return, document, or affidavit
 Rules for employing or accepting assistance from disbarred or suspended persons and former IRS employees
 Rules for restriction on advertising and solicitation and fee information
 Concept of due diligence for return accuracy
 Concept of conflict of interest
 Rules for refund check negotiation
 Requirements for tax shelter opinions
 Standards for tax return positions and preparing returns
 CPE requirements
 Scope of authority - Tax court petitions
 Effective records
 Covered opinions
 Tax shelters
 Tax avoidance vs. tax evasion
 Conference and practice requirements

Sanctions against Enrolled Agents

What constitutes disreputable conduct, which can result in a disciplinary proceeding
 Sanctions imposed by OPR against Enrolled Agents
 Contents of a complaint filed against an individual, service of complaint and demand for answer requirements
 How a proceeding against an individual in violation of regulations governing practice before the IRS is instituted
 Procedural rules for conducting proceedings for disqualification
 Disciplinary appeal process
 Criteria for public disclosures for active and disqualified persons
 Types of penalties (e.g., negligence, substantial understatement, overvaluation)
 Frivolous submissions (returns and documents)
 Fraudulent transactions

Badges of fraud

Penalties

Assessment and appeal procedures for preparer penalties

Penalties to be assessed by the IRS against a preparer for negligent or intentional disregard of rules and regulations, and for a willful understatement of liability
 Preparer's due diligence
 Rules for furnishing a copy of a return to a taxpayer
 Rules for signing returns and furnishing identifying numbers
 Rules for keeping copies or lists of returns prepared
 Rules for filing an information return concerning employees engaged or employed during a return period
 Rules for the preparer penalty involving the earned income credit

Section 2: Representation before the IRS (25 items)

Power of attorney

Acting in place of the taxpayer
 Signature authority (e.g., extension of assessment period, closing agreement)
 Limitations of authority granted (e.g. acts authorized)
 Prohibition for negotiating taxpayer refund check (e.g. cannot cash or deposit)
 Prohibition for signing tax returns
 Requirements for power of attorney (Form 2848)
 Alternate forms of power of attorney (durable)
 Rules for client privacy and consent to disclose
 Purpose of filing a tax information authorization
 Requirements to be met when changing or dropping representatives
 When notices and refund checks may be delivered to recognized representatives
 Purpose of a Centralized Authorization File number

Building the taxpayer's case--

Preliminary work

What the taxpayer's issue is (e.g. type, details)
 Potential for criminal aspects
 Competence, expertise and time to handle issue
 Taxpayer willingness to sign power of attorney

Conflict of interest

Taxpayer tax information

Income (taxable and non-taxable)
 Expenses (deductible, allowable and personal)
 Transcripts from IRS
 Documentation requirements (e.g., pay stubs, bank statements)
 Documentation required (e.g., receipts, invoices)

Taxpayer financial situation

Taxpayer's ability to pay the tax (e.g., installment agreements, offer in compromise)
 General financial health (e.g., filed for bankruptcy, lawsuits, and garnishments)
 Discharge of the tax liability in bankruptcy (e.g., payroll taxes, filed pre-petition Federal Tax Lien)
 Form 433A/B/F
 IRS Allowable Living Expenses Standards
 Lifestyle and life issues of taxpayer
 Cash flow and assets (Cash-T, receipts and disbursements)
 Asset fair market value and associated liabilities
 Third-party research (e.g., property assessment for municipal taxes; asset values, state and local tax information)
 Supporting documentation
 Financial documents (e.g., cancelled checks or equivalent, bank statements, credit card statements, receipts)
 Legal documents (e.g., birth certificate, divorce decrees, lawsuit settlements)
 Prior and subsequent tax returns
 Other substantive and contemporaneous documentation (e.g., mileage log, corporate minutes)
 Employment reimbursement policies
 Business entity supporting documents (e.g., partnership agreement, corporate bylaws)
 Brokerage records or individual stock transaction

Legal authority and references

Internal Revenue Code
 Treasury regulations
 Revenue rulings
 Revenue procedures
 IRS notices
 Case law
 IRS publications
 Private letter rulings
 Form instructions
 Internal Revenue Manual

Authoritative source material versus non-authoritative source material

Related issues

Statute of limitations
 Post-filing correspondence (e.g., math error notices, under reporting notices)
 Deadlines and timeliness requirements
 Third-party correspondence (e.g., witness communications, employment records)
 Requests for information related to specific issues (e.g., clarification on a tax issue)
 Freedom of Information Act requests

Section 3: Specific Types of Representation (25 items)

Representing a taxpayer in the Collection process

Understanding the Collection Process – an overview and notices
 Extension of time to pay
 Installment capability
 Offer in compromise (e.g., doubt as to liability, collectability or effective tax administration)
 Miscellaneous options (e.g., collection statute end date, collection statute extension date, trust fund recovery penalties, backup withholding)
 Adjustments to the taxpayer's account (e.g., abatements)
 Requesting an audit reconsideration (e.g., documents and forms)
 Decedent Issues (get info from Ron(We did not receive this)
 Collection appeals program (e.g., denial of installment agreements, discharge applications)
 Notice of Federal Tax Lien
 Levy and Seizure of taxpayer's property
 Collection Appeal Process
 Collection due process (e.g., lien and levy)
 Case being reported Currently Not Collectable (e.g., reasons and reactivation)
 Taxpayer Advocate Service (e.g., criteria for requesting assistance)
 IRS Collection Summons (e.g., purposes)
 Identity Theft

Penalties and/or interest assessed

Penalties and interest
 Basis for having penalties avoided, abated, or refunded
 Reasonable cause
 Interest abatement

Interest recalculation

Representing a taxpayer in audits/examinations

IRS authority to investigate
 Verification and substantiation of entries on the return
 IRS opportunity to disagree with filings
 IRS authority to fix time and place of investigation
 Steps in the process (e.g., initial meeting, submission of IRS requested information)
 Innocent spouse
 Interpretation of revenue agent report (RAR) (e.g., 30-day letter)
 Explanations of taxpayer options (e.g. agree or appeal)
 Special procedures for partnership audits (e.g., unified audit procedures for TEFRA)

Representing a taxpayer before Appeals

Protests
 Right to appeal revenue agent findings
 Request for appeals consideration (e.g., preparation, elements contained)
 Enrolled Agent appearance at appeals conference
 Settlement function of the appeals process
 Issuance of 90-day letter

Higher levels of representation beyond the scope of EA representation

Tax Court
 U.S. District Courts and U.S. Claims Court
 U.S. Courts of Appeals and U.S. Supreme Court

Section 4: Completion of the Filing Process (17 items)

Accuracy

Using tax software
 Inconsistencies with the source data
 Miscalculations
 Recognition of duplicate entries
 Alternative minimum tax issues
 Need to read diagnostics
 Matching inputs and outputs across forms

Information shared with taxpayer

Record-keeping requirements
 Significance of signature (e.g., joint and several liability, penalty of perjury)
 Non-taxable income (e.g., combat pay, inheritance)
 Consequences of dishonesty

Concerning all tax preparers - regulations and sanctions

Definition of income tax return preparers

Record maintenance

Length of time
 Length of time to keep income and employment tax records
 The components of the list (name, social security number, and type of return)
 EITC due diligence requirements
 Rules for returning a client's records and documents

Electronic filing

How to apply to be an e-file provider (e.g., e-services)
 Electronic return requirements
 Definition of a refund anticipation loan (RAL) indicator
 Advertising standards
 Definition of EFIN
 Definition of ERO
 Levels of infractions
 Compliance requirements to continue in program (e.g. timely filing, timely payment, and absence of infractions)
 Appeal process
 Forms 8879 and 8453
 Rejected returns and resolution (e.g. client notification)

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