

# Table of Contents

|  |          |
|--|----------|
| <b>Practice and Procedures .....</b>                             | <b>1</b> |
| Becoming an Enrolled Agent.....                                  | 1        |
| What Constitutes Practice before the IRS .....                   | 1        |
| Regulations Governing Practice §10.0 .....                       | 2        |
| Categories of Individuals Who May Practice §10.3 and §10.4 ..... | 2        |
| Enrollment Cycle and Renewal §10.4 .....                         | 8        |
| Application for Enrollment §10.5.....                            | 8        |
| Enrollment Renewal and Card §10.6.....                           | 9        |
| Return Preparation .....   | 12       |
| Duties and Restrictions of Enrolled Agents .....                 | 13       |
| Information to be Furnished §10.20.....                          | 13       |
| Client Omission §10.21 .....                                     | 13       |
| Due Diligence §10.22 .....                                       | 14       |
| Prompt Disposition §10.23 .....                                  | 15       |
| Accepting Assistance §10.24 .....                                | 15       |
| Practice by Former Government Employees §10.25.....              | 15       |
| Notaries §10.26 .....  | 15       |
| Fees §10.27.....   | 15       |
| Return Client Records §10.28 .....                               | 16       |
| Conflicting Interests §10.29.....                                | 17       |
| Solicitation §10.30 .....  | 17       |
| Negotiation of Taxpayer Check §10.31 .....                       | 18       |
| Practice of Law §10.32 .....                                     | 18       |
| Best Practices for Tax Advisors §10.33.....                      | 19       |
| Standards for Tax Returns, Documents, and Affidavits §10.34..... | 19       |
| Competence §10.35 .....  | 22       |
| Procedures to Ensure Compliance §10.36 .....                     | 22       |
| Requirements for Written Advice §10.37.....                      | 22       |
| Sanctions for Violation of Regulations.....                      | 23       |
| Sanctions §10.50.....  | 23       |
| Incompetence and Disreputable Conduct §10.51 .....               | 24       |
| Violations Subject to Sanctions §10.52 .....                     | 25       |
| Receipt of Information Concerning Practitioner §10.53.....       | 26       |
| Rules Applicable to Disciplinary Proceedings .....               | 26       |
| Institution of Proceeding §10.60 .....                           | 26       |
| Conferences §10.61 .....   | 27       |
| Contents of Complaint §10.62 .....                               | 27       |
| Service of Complaint §10.63 .....                                | 27       |
| Answering the Complaint §10.64.....                              | 28       |
| Supplemental Charges §10.65 .....                                | 28       |
| Motions and Representation §10.68 and §10.69.....                | 29       |

|  |           |
|--|-----------|
| Administrative Law Judge §10.70.....                       | 29        |
| Decision of Administrative Law Judge §10.76.....           | 30        |
| Appeal of Decision of Administrative Law Judge §10.77..... | 31        |
| Reinstatement §10.81 .....                                 | 31        |
| Tax Shelter .....  | 31        |
| Reportable Transactions .....                              | 32        |
| Tax Shelter Penalties .....                                | 35        |
| Fraudulent Transactions.....                               | 37        |
| Authority to Seek Injunction.....                          | 37        |
| Form 2797 .....  | 38        |
| Form 3949-A.....   | 38        |
| Badges of Fraud .....                                      | 39        |
| Penalties.....   | 42        |
| Tax Return Preparer.....                                   | 42        |
| Understatement of Taxpayer Liability.....                  | 46        |
| Furnishing a Copy of a Return to a Taxpayer.....           | 56        |
| Signing Returns .....                                      | 56        |
| Furnishing Identifying Numbers.....                        | 57        |
| Keeping Copies or Lists of Returns .....                   | 59        |
| Failure to File Correct Information Returns .....          | 60        |
| Negotiate or Endorse a Taxpayer's Check from the IRS.....  | 60        |
| Preparer Penalty Involving Earned Income Tax Credit .....  | 60        |
| Request for Refund .....                                   | 63        |
| Practices and Procedures Review Questions .....            | 65        |
| Practices and Procedures Review Answers.....               | 69        |
| <b>Representation Before the IRS .....</b>                 | <b>73</b> |
| Power of Attorney.....                                     | 73        |
| Acting in Place of the Taxpayer.....                       | 74        |
| Requirements for Power of Attorney .....                   | 75        |
| Alternate Forms of Power of Attorney .....                 | 75        |
| Who Must Execute the Power of Attorney .....               | 76        |
| Rules for Client Privacy and Consent to Disclose .....     | 78        |
| Tax Information Authorization.....                         | 78        |
| Changing or Dropping Representatives .....                 | 79        |
| Centralized Authorization File System.....                 | 80        |
| Conference and Practice Requirements.....                  | 83        |
| Building the Taxpayer's Case — Preliminary Work.....       | 83        |
| Identify Taxpayer's Issues .....                           | 83        |
| Competence .....   | 86        |
| Conflict of Interest.....                                  | 87        |
| Transcripts from the IRS.....                              | 87        |
| Copy of Return .....                                       | 88        |
| Taxpayer Tax Information .....                             | 88        |
| Income .....   | 88        |

|   |            |
|---|------------|
| Taxpayer Financial Situation .....  | 89         |
| Taxpayer's Ability to Pay the Tax .....                                     | 90         |
| General Financial Health .....  | 90         |
| Third Party Research.....   | 90         |
| Discharge of the Tax Liability in Bankruptcy.....                           | 90         |
| IRS Allowable Living Expense Standards .....                                | 92         |
| Supporting Documentation .....  | 92         |
| Financial Documents .....   | 92         |
| Prior and Subsequent Tax Returns .....                                      | 98         |
| Contemporaneous Documentation.....  | 98         |
| Employment Reimbursement Policies.....                                      | 99         |
| Business Entity Supporting Documents .....                                  | 99         |
| Expense Records .....   | 99         |
| Legal Authority and References .....  | 101        |
| Internal Revenue Code.....  | 101        |
| Treasury Regulations .....  | 101        |
| Revenue Rulings and Revenue Procedures .....                                | 103        |
| IRS Notices.....  | 104        |
| Case Law.....   | 104        |
| IRS Publications .....  | 105        |
| Private Letter Rulings .....  | 105        |
| Form Instructions.....  | 106        |
| Internal Revenue Manual .....   | 106        |
| Authoritative vs. Nonauthoritative Source Material.....                     | 106        |
| Related Issues.....   | 108        |
| Statute of Limitations .....  | 108        |
| Post-filing Correspondence .....  | 112        |
| Requests for Information .....  | 114        |
| Deadlines and Timeliness .....  | 115        |
| Third Party Correspondence .....  | 115        |
| Freedom of Information Act Requests.....                                    | 122        |
| Tax Avoidance versus Tax Evasion .....                                      | 124        |
| Tax Return Disclosure Statements.....                                       | 126        |
| Taxpayer Advocate Service.....  | 126        |
| Identity Theft.....   | 127        |
| Higher Levels of Representation Beyond the Scope of an Enrolled Agent ..... | 127        |
| Representation Review Questions .....                                       | 131        |
| Representation Review Answers .....   | 135        |
| <b>Specific Types of Representation.....</b>                                | <b>139</b> |
| Collection Process.....   | 139        |
| Extension of Time to Pay.....   | 140        |
| Installment Agreement.....  | 141        |
| Offer In Compromise .....   | 145        |
| Collection Appeal Process.....  | 147        |

|  |            |
|--|------------|
| Collection Appeals Program .....               | 147        |
| Collection Due Process .....                   | 149        |
| Understanding the Collection Process .....     | 150        |
| Adjustments to the Taxpayer's Account .....    | 150        |
| Audit Reconsideration .....                    | 151        |
| Decedent Issues.....                           | 151        |
| Notice of Federal Tax Lien .....               | 152        |
| Levy and Seizures of Taxpayer's Property.....  | 153        |
| Currently Not Collectible.....                 | 156        |
| IRS Collection Summons.....                    | 156        |
| Amended Return .....                           | 157        |
| Bankruptcy.....                                | 157        |
| Trust Fund Taxes .....                         | 158        |
| Innocent Spouse.....                           | 158        |
| Penalties and Interest.....                    | 164        |
| Bad Check.....                                 | 164        |
| Failure to File Tax Return or to Pay Tax.....  | 164        |
| Accuracy-related Penalty.....                  | 164        |
| Frivolous Tax Submission .....                 | 167        |
| Fraud and False Statements .....               | 167        |
| Reportable Transactions .....                  | 168        |
| Tax Evasion.....                               | 168        |
| Abatement of Penalties .....                   | 168        |
| Interest.....                                  | 172        |
| Examinations and Audits.....                   | 175        |
| IRS Authority to Investigate .....             | 175        |
| Examination of Returns .....                   | 175        |
| Interpretation of Revenue Agent Report.....    | 179        |
| Explanation of Taxpayer Options .....          | 180        |
| Special Procedures for Partnership Audits..... | 183        |
| Appeals .....                                  | 184        |
| Appeal Within the IRS .....                    | 184        |
| Appeal to the Courts.....                      | 186        |
| Specific Representation Review Questions ..... | 189        |
| Specific Representation Review Answers .....   | 193        |
| <b>Completing the Filing Process.....</b>      | <b>197</b> |
| Accuracy.....                                  | 197        |
| Using Tax Software .....                       | 197        |
| Matching Inputs and Outputs.....               | 198        |
| Information Shared with Taxpayer .....         | 199        |
| Recordkeeping Requirements .....               | 199        |
| Significance of Signature.....                 | 202        |
| Consequences of Dishonesty.....                | 203        |
| Preparer Records .....                         | 204        |

|   |            |
|---|------------|
| EITC Due Diligence Requirements.....                              | 205        |
| Electronic Filing .....   | 206        |
| E-file Mandate .....  | 206        |
| Waivers.....  | 206        |
| How to Apply to be an Authorized IRS <i>e-file</i> Provider ..... | 207        |
| Participating in IRS <i>e-file</i> .....                          | 212        |
| Electronic Return Originator .....                                | 212        |
| Advertising Standards .....                                       | 214        |
| Monitoring Authorized IRS <i>e-file</i> Providers.....            | 214        |
| Filing .....  | 219        |
| Rejected Returns and Resolution .....                             | 226        |
| Completing the Filing Process Review Questions.....               | 227        |
| Completing the Filing Process Review Answers .....                | 231        |
| <b>Appendix .....</b>   | <b>235</b> |
| <b>Index.....</b>   | <b>281</b> |