



Internal Revenue Service

Enrolled Agent Special Enrollment Examination

Candidate Information Bulletin

For examination period May 1, 2013 to February 28, 2014

Register online at www.prometric.com/see

Published by Prometric

**Providing License Examinations for the Internal Revenue Service
(IRS)**

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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
7941 Corporate Drive
Nottingham, MD 21236
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 must have a Preparer Tax Identification Number (PTIN) issued by the Internal Revenue Service (IRS) 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, 2013 to February 28, 2014.

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 **5 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

Testing accommodations. If you require testing accommodations such as for disabilities, please call Prometric at 888.226.9406 to obtain an accommodation request form.

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, 2013 — February 28, 2014, all references on the examination are to the Internal Revenue Code, Forms and Publications, as amended through December 31, 2012. The examination will **take into consideration the provisions of the American Tax Relief Act of 2012**. Also, unless otherwise stated, all questions relate to the calendar year 2012.

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);
- Closely resemble your appearance on the date of testing; and
- Have a first and last name that exactly matches the first and last name used to register for the examination.



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).

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- 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 need to 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** Area of weakness where additional study is necessary. It is important for you to focus on this domain 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** May need additional study.
- 3** Clearly demonstrated an understanding of subject area.



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
7941 Corporate Drive
Nottingham, MD 21236

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

Note that the below examination content outlines have been revised, effective for the examinations to be administered starting May 1, 2013.

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, accuracy, and carryovers of current year's return
- Taxpayer biographical information (e.g., date of birth, marital status, dependents)
- Residency status and/or citizenship (e.g., citizen, visas, green cards, resident alien or non-resident alien)
- Taxpayer filing status (e.g., single, MFJ, MFS, QW, HOH)
- Sources of all taxable and non-taxable income (e.g., interest, wages, business, sales of property, dividends, rental income, flow-through entities, alimony received)
- Sources of applicable adjustments to gross income (e.g., retirement plans, HSAs, alimony paid, health insurance, moving expenses, self-employment tax)
- Sources of applicable deductions (e.g., itemized, standard)
- Sources of applicable credits (e.g., education, foreign tax, retirement, energy, dependent care)
- Sources of tax payments and refundable credits (e.g. withholding, estimated payments, earned income tax credit)
- Previous IRS correspondence with taxpayer
- Additional required returns filed taxes paid (e.g., employment, gifts, and information returns)

- Special filing requirements (e.g. foreign income, presidentially declared disaster areas, Form 1040-NR)
- Foreign account and asset reporting (e.g., FBAR, Form 8938)

Taxpayer data

- Filing requirements for tax returns and extensions (e.g., dates)
- Personal exemptions including dependents
- Minor children's unearned income (Kiddie tax)

Section 2: Income and Assets – 25 items

Income

- Taxability of wages, salaries and other earnings (e.g., earned income, statutory employee)
- 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, not-for-profit rentals, calculation of depreciation)
- Gambling income and allowable deductions (e.g., W-2G, documentation)
- Tax treatment of forgiveness of debt (e.g., 1099C, foreclosures)
- Tax treatment of a U.S. citizen/resident with foreign 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, unearned income, taxable recoveries)

- Constructive receipt of income (e.g., cash vs accrual)
- Constructive dividends (e.g., payments of personal expenses)
- Passive income and loss (e.g., loss limitations)
- Royalties and related expenses

Retirement income

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

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)
- Sale or disposition of property
- 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)
- Options (e.g., stock, commodity, ISO, ESPP)
- Like-kind exchange
- Non-business bad debts (e.g., documentation required)

Adjustments to income

- Self-employment tax
- Retirement contribution limits and deductibility (e.g., earned compensation requirements)
- Health savings accounts
- Other adjustments to income (e.g., student loan interest, alimony, moving expenses, write-in adjustments)

Section 3: Deductions and Credits – 25 items

Itemized deductions

- Medical and dental expenses
- Various taxes (e.g., state income, personal property, real estate)
- 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
- Miscellaneous itemized deductions
- Employee travel, transportation, and entertainment expenses
- Other employee expenses (e.g., education, reimbursement, eligibility, home office)
- AGI limitations
- Allowed itemized deductions for Form 1040-NR

Credits

- Child and dependent care credit
- Child tax credits
- Education credits
- Foreign tax credit
- Earned income tax credit (e.g., paid preparer's earned income credit checklist, eligibility and disallowance)
- Retirement contribution credit
- Adoption credits (e.g., carryovers, limitations, special needs)
- Other credits (refundable and non-refundable)

Section 4: Taxation and Advice – 20 items

Taxation

- Alternative minimum tax
- Credit for prior year minimum tax
- Penalties and exceptions on premature distributions from qualified retirement plans and IRAs
- Household employees
- Underpayment penalties and interest

- Conditions for filing a claim for refund (e.g., amended returns)
- Self-employment tax
- Excess social security withholding
- Tax provisions for members of the clergy

Advising the individual taxpayer

- Reporting obligations for individuals
- Property sales (e.g., homes, stocks, and businesses)
- Education planning (e.g., lifetime learning credit, IRC section 529 plans)
- Estate planning (e.g., gift versus inheritance, trusts, family partnerships, charitable giving, LTC, life insurance)
- Retirement planning (e.g., annuities, IRAs, employer plans, early retirement rules, required minimum distribution, beneficiary ownership)
- Marriage and divorce (e.g., divorce settlement, common-law, community property)
- Items that will affect future returns (e.g., carryovers, net operating loss, Schedule D, Form 8801)
- Injured spouse
- Innocent spouse
- Estimated Tax
- Adjustments, deductions, and credits for tax planning
- Use of capital gain rates versus ordinary income rates (e.g., character of transaction)

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 per donee exclusion
- Unified credit
- Effect on estate tax (e.g., Generation skipping transfer tax)
- Filing requirements

Part 2 – Businesses

Section 1: Business Entities – 45 items

Business entities

- Types of business entities and their filing requirements:
 - Sole proprietorships
 - Partnerships
 - Corporations
 - S corporations
 - Farmers
 - LLCs
 - Tax-exempt entities 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 payments, contribution of property to partnership)
- Basis of partner's interest
- Disposition of partner's interest
- Partnership formation (e.g., partnership agreement, general vs. limited partners, capital contributions)
- Dissolution of partnership (e.g., sale, death of partner)
- Filing requirements and due dates
- Services rendered in return for partnership interest
- Debt discharge

Corporations in general

- Filing requirements and due dates
- Earnings and profits
- Shareholder dividends, distributions, and recognition requirements
- Special deductions and credits (e.g., dividends received deductions, charitable deduction).
- Liquidations and stock redemptions
- Accumulated earnings
- Estimated tax payments

Forming a corporation

- Services rendered to a corporation in return for stock
- IRC section 351 exchange
- Transfer and/or receipt of money or property in addition to corporate stock

Mortgaged property transferred
 Controlled groups
 Closely held corporations
 Personal service corporations
 (e.g., 35% rate)

S corporations

Requirements to qualify
 S corp income, expenses, and
 separately stated items
 Treatment of distributions (e.g.,
 reasonable compensation)
 Shareholder's basis
 (e.g., loan basis, distributions
 and losses in excess of basis)
 Revocation, termination and
 reinstatement
 Debt discharge
 Non-cash distributions
 Election procedure

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
 Cancellation of business debt

**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
 contractors and employees
 (e.g., 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., disabled access credit,
 investment credit)
 Alternative minimum tax net
 operating loss deduction
 Home office

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 (e.g., proofing
 beginning and ending
 balances)
 Method of accounting (e.g.,
 accrual, cash, hybrid)
 Depreciation and amortization
 Depreciation recovery
 (e.g., recapture, Sec 280F)
 Pass-through activity (e.g., K-1,
 separately stated items, non-
 deductible expenses)
 Reconciliation of tax versus
 books (e.g., M-1, M-2, M-3)
 Related party activity
 Loans to and from owners

Advising the business taxpayer

Filing obligations
 (e.g., extended returns)
 Depositing obligations (e.g.,
 employment tax, excise tax)
 Reporting obligations for
 businesses, (e.g. 1099 series,
 1031 exchanges, Form 8300)
 Record-keeping requirements
 (mileage log, accountable
 plans)
 Related party transactions
 Selection of business entity
 (e.g., benefits and detriments)
 Comingling (e.g., personal usage
 of business accounts,
 separation of business and
 personal accounts)
 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., formation, dissolution)
 Type of industry (e.g., personal
 service corporation)
 Worker classification

Section 3: Specialized returns and
 taxpayers – 15 items

Trust and estate income tax

Trust types (e.g., grantor,
 irrevocable, tax shelters)
 Distributable net income and
 accounting income
 Exclusions and deductions
 Fraudulent trusts
 Income in respect of a decedent
 Income (e.g., allocations)
 Separately stated items
 Filing requirements

Exempt organizations

Qualifying for and maintaining
 tax-exempt status (e.g.,
 501(c))
 Filing requirements (e.g., 1023,
 1024, 990 series)
 Unrelated business taxable
 income (UBTI)

Retirement plans

Employer and employee
 contributions
 Reporting requirements
 Plans for self-employed persons
 (e.g., SEP and SIMPLE)
 Prohibited transactions
 Qualified and non-qualified plans
 Non-discrimination rules

Farmers

Farm inventory
 Depreciation for farmers
 Various disaster-area provisions
 Disposition of farm assets
 Farm income (e.g., self-raised
 livestock, crop insurance
 proceeds)
 Farm tax computation (e.g.,
 Schedule J, Schedule SE,
 estimated tax)

**Part 3 – Representation,
 Practices and Procedures**

Section 1: Practices and Procedures –
 35 items

Practice before the IRS

What constitutes practice before
 the IRS
 Categories of individuals who
 may practice and extent of
 practice privileges

Requirements for Enrolled Agents

Information to be furnished to
 the IRS
 Omission or error on return,
 document, or affidavit
 Rules for employing or accepting
 assistance from former IRS
 employees or
 disbarred/suspended persons
 Rules for restriction on
 advertising, solicitation and
 fee information

Fee rules (e.g., contingent, unconscionable)
 Due diligence requirements
 Conflict of interest
 Rules for refund check negotiation
 Standards for written advice, covered opinions, tax return positions and preparing returns
 CPE requirements
 Tax shelters
 Enrollment cycle and renewal
 Rules for prompt disposition of matters before the IRS
 Rules for returning a client's records and documents
 PTIN requirements
 Practitioner supervisory responsibilities (Circular 230, Section 10.36)

Sanctionable acts

Disreputable conduct that may result in a disciplinary proceeding
 Sanctions imposed by OPR
 Frivolous submissions (returns and documents)
 Fraudulent transactions (e.g., badges of fraud)

Rules and penalties

Assessment and appeal procedures for preparer penalties
 Types of penalties (e.g., negligence, substantial understatement, overvaluation)
 Furnishing a copy of a return to a taxpayer
 Signing returns and furnishing identifying numbers
 Keeping copies or lists of returns prepared
 Employees engaged or employed during a return period (e.g., Section 6060)
 Preparer penalty involving the earned income credit

Section 2: Representation before the IRS (30 items)

Power of attorney

Purpose of power of attorney
 Signature authority (e.g., extension of assessment period, closing agreement)
 Authority granted by taxpayer
 Prohibition for negotiating taxpayer refund check (e.g. cannot cash or deposit)
 Limitations on signing tax returns on behalf of taxpayer
 Proper completion of power of attorney (Form 2848)
 Alternate forms of power of attorney (durable)

Rules for client privacy and consent to disclose
 Distinctions between power of attorney (Form 2848) and tax information authorization (Form 8821)
 Requirements to be met when changing or dropping representatives or withdrawal of representative
 Purpose of a Centralized Authorization File number
 Conference and practice requirements (Pub 216)

Building the taxpayer's case--

Preliminary work

Tax issue(s) identification with supporting details
 Potential for criminal aspects
 Competence, expertise and time to handle issue
 Conflict of interest
 Transcripts from IRS

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, garnishments, cash flow and assets)
 Third-party research (e.g., property assessment for municipal taxes; asset values, state and local tax information)
 Discharge of the tax liability in bankruptcy
 IRS Collection Financial Standards

Supporting documentation

Financial documents (e.g., cancelled checks or equivalent, bank statements, credit card statements, receipts, brokerage records)
 Legal documents (e.g., birth certificate, divorce decrees, lawsuit settlements)
 Prior and subsequent tax returns
 Other substantive and contemporaneous documentation (e.g., corporate minutes)
 Employment reimbursement policies
 Business entity supporting documents (e.g., partnership agreement, corporate bylaws)
 Expense records (e.g., deductible, allowable, personal, mileage log)

Legal authority and references

Internal Revenue Code
 Treasury regulations
 Revenue rulings
 Revenue procedures

IRS notices
 Case law
 IRS publications
 Private letter rulings
 Forms and instructions
 Internal Revenue Manual
 Authoritative 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)
 Freedom of Information Act requests
 Tax avoidance vs. tax evasion
 Tax return disclosure statements
 Taxpayer Advocate Service (e.g., criteria for requisition assistance)
 Identity Theft
 Higher levels of representation beyond the scope of EA representation (e.g., tax court, U.S. District Courts and U.S. Claims Court, U.S. Courts of Appeals and U.S. Supreme Court)

Section 3: Specific Types of Representation (30 items)

Representing a taxpayer in the collection process

Extension of time to pay (e.g., Form 1127-A)
 Installment agreements
 Offer in compromise (e.g., doubt as to liability, collectability or effective tax administration)
 Collection appeals program (e.g., denial of installment agreements, discharge applications)
 Collection appeals and due process (e.g., lien and levy)
 Adjustments to the taxpayer's account (e.g., abatements)
 Requesting an audit reconsideration (e.g., documents and forms)
 Decedent Issues
 Collection notice and Notice of Federal Tax Lien
 Levy and seizure of taxpayer's property
 Case being reported Currently Not Collectable (e.g., reasons and reactivation)
 IRS Collection Summons (e.g., purposes)
 Collections statute of limitations
 Trust fund recovery penalty

Penalties and/or interest abatement

- Penalties subject to abatement
- Basis for having penalties abated, or refunded
- Reasonable cause
- Basis for having interest abated or refunded
- Interest recalculation

Representing a taxpayer in audits/examinations

- IRS authority to investigate
- Verification and substantiation of entries on the return
- 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

- 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

Section 4: Completion of the Filing Process (5 items)

Accuracy

- Use of tax software (e.g., review of results)
- Inconsistencies with the source data
- Miscalculations
- Recognition of duplicate entries

Information shared with taxpayer

- Record-keeping requirements
- Significance of signature (e.g., joint and several liability, penalty of perjury)
- Consequences of dishonesty

Record maintenance

- Length of time to retain returns and records
- List of returns prepared (name, social security number, and type of return)
- EITC due diligence requirements

Electronic filing

- Application process to be an e-file provider (e.g., EFIN, e services)
- E-file mandate
- Advertising standards
- Definition and responsibilities of an ERO
- Levels of infractions
- Compliance requirements to continue in program (e.g. timely filing, timely payment, and absence of infractions)
- Appeal process
- E-file authorization and supporting documentation (e.g., Forms 8879 and 8453)
- Rejected returns and resolution (e.g. client notification)



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Operations Director, Civil Rights Division
Internal Revenue Service
1111 Constitution Avenue, NW, Room 2413
Washington, DC 20224

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