

A 20-Point Guide to Passing the Revised EA Exam*

By John O. Everett, Ph.D., CPA

“Okay, okay, I’ve finally decided to do it. I’m going to take the enrolled agents exam and I’m going to pass it! An enrollment card brings increased professional recognition, more taxpayer representation opportunities, and more growth potential for my business. It won’t be easy, and I know there are times that I’ll want to give up. But I *will* do this, and *nothing* can stop me! No more excuses!”

If you are this individual, congratulations! You’ve taken the most important step of all, recognizing that there are no shortcuts to success and that only a major commitment of time and energy will allow you to achieve your goal. This article is for you. Although there are no magic formulas for passing the exam, there are some signposts that will make your job easier. So, after looking at a brief overview of the exam, let’s examine some common-sense tips that may help you pass the EA exam.

* To reflect the revised format and coverage of the new exam, this article has been substantially revised from the one published in the summer 2002 issue of the *TAXPRO Journal*.

An enrolled agent is an individual who is licensed to represent taxpayers before all administrative levels of the IRS. This privilege is reserved only for attorneys, CPAs, certain former IRS employees, and any other individual who passes the Special Enrollment Examination (SEE). Passing this exam is a significant step on the ladder to success and is an invaluable boost to one's career and self-esteem.

However, studying for and passing the SEE can be a daunting task, but it need not be an impossible one. This article includes 20 tips for calming your nerves and for approaching the exam in an organized and focused manner. But, when all is said and done, there is a direct correlation between your motivation and your score on the exam, and no set of study tips can substitute for adequate preparation.

The Examination: An Overview

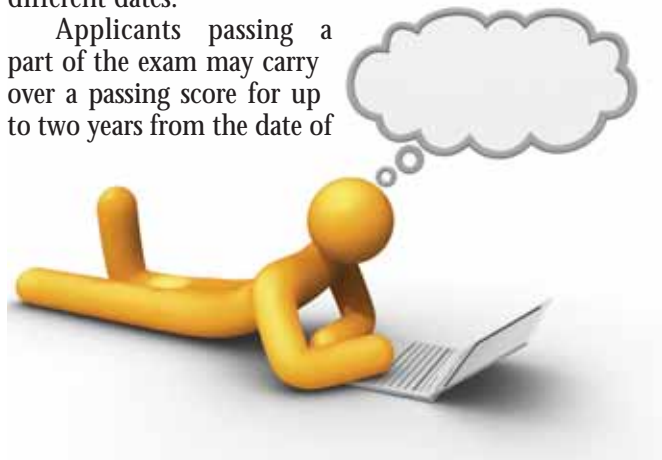
The SEE, commonly referred to as the EA Exam, was administered by the IRS until 2005, at which time Thomson Prometric was selected as the exam vendor. The first exam under the new on-demand, three-part, computerized format was given in October 2006. A total of 8,054 candidates took the SEE between October 5 and December 2, 2006, with pass percentages of 58.84 percent for Part 1, 74.50 percent for Part 2, and 79.64 percent for Part 3.

The examination is designed to demonstrate technical competence in tax matters for purposes of representing taxpayers before the IRS. The revised exam consists of the following three parts:

- Part 1 – Individuals
- Part 2 – Businesses
- Part 3 – Representation, Practice, and Procedure

The new exam format provides new challenges, but it also provides opportunities to follow an organized approach in accomplishing a passing score. Each part of the examination consists of approximately 100 multiple-choice questions. The length of each part is 3.5 hours, plus an additional half-hour required for a computer tutorial and survey. Questions are in three possible formats: (1) direct question; (2) incomplete sentences; and (3) "all of the following except" narratives. All three types of questions are in a multiple-choice format, with four possible answers for each question. Each part of the exam may be taken separately and on different dates.

Applicants passing a part of the exam may carry over a passing score for up to two years from the date of



passing that part. Thus, a two-year clock starts ticking on the remaining parts of the exam once the first part is passed; such carryover credit is lost after the two-year window closes.

Applying for the Examination

Beginning on May 1, 2007, candidates could take each part of the exam up to four times during the 10-month window of May 1–February 28. The testing fee for each part of the exam is \$97. Candidates register online at www.prometric.com/irs by clicking *Register/Schedule an Examination*. Candidates select an appointment time and a site for taking the exam during the registration process. Prometric has approximately 300 test sites in the U.S. For additional details, visit their website and click on *Licensing Information Bulletin*.

IRS Study Materials

Although there are no particular educational requirements for taking the exam, candidates are expected to answer basic tax questions at an intermediate level of knowledge equivalent to undergraduate courses in taxation. In studying for the examination, candidates may wish to refer to the Internal Revenue Code, Circular 230, IRS publications, and a variety of tax forms and their accompanying instructions. You'll find a list of these sources at www.irs.gov by clicking on Tax Professionals, and then Enrolled Agents. For \$25, you can also order a CD of the material by calling 877.233.6767 and asking for Publication 1796, *Federal Tax Products CD-ROM*.

Be prepared for a shock when you receive the materials; they are voluminous. The chart on page 22 lists the IRS publications and forms included on the CD. You can't be expected to master all this information, but some material is more important than others (see the Study Tips section below). PDF files of all the material are available at www.irs.gov under Forms and Publications.

Twenty Study Tips

Part I – Preparation Prior to the Examination

1 Know the Cardinal Rule of Studying—there are absolutely no shortcuts to passing the SEE. You must have an organized approach. Plan to study at least 50 hours for each part of the exam, at a pace of at least 10 to 15 hours per week. Take plenty of notes (in *your own* words) that provide shorthand references to the tax law for the more important provisions. Leave time to take a practice exam at least two weeks prior to the exam to highlight weak spots. Past exams are available at www.irs.gov, although these are in the old format. Still, they'll give you a feel for the types of questions (and time pressure) you'll likely see on the real thing. (But remember, the entire exam is now multiple-choice; there are no true-false questions.)

2 Consider a Review Course. There are a number of review courses, both self-study and live, devoted to the SEE. The advantage of such courses is that the authors have usually analyzed the past examinations and have organized the study material in a condensed manner

for maximum coverage. In essence, you are paying for an organized approach to studying for the exam, and this may be of some value to you. Expect to pay at least \$500 or more for a live course (usually anywhere from 24 to 36 hours for all three parts), or about \$300 for a self-study course for all three parts.

The following websites offer self-study courses in various formats (some sites include demonstration pages and/or modules to preview their products):

- www.concentric.net
- www.dynasty-school.com
- www.eaexam.com
- www.eaglevip.com
- www.eareview.com
- www.fastax-ea-exam.com
- www.gleim.com
- www.natptax.com
- www.nsacct.org
- www.targettax.com
- www.thomastaxseminars.com
- www.wiseguides.com

A number of state, regional, and national organizations offer web-assisted and live review courses as well. Two of the primary organizations offering these courses are the National Association of Tax Professionals and the National Society of Accountants.

If you decide not to purchase a review course, you may want to consider purchasing a comprehensive undergraduate tax textbook that covers all types of entities. These are available at most college bookstores and on the web from the major publishers (South-Western Publishing Company, Prentice-Hall, and Commerce Clearing House).

3 Don't Worry About the Math of Passing. The grading procedure on the revised exam as described by Prometric is somewhat murky, as the raw score (number right out of total number of questions) will be converted to a scale between 40 and 130, with 105 set as a passing score per mandate by the IRS. Assuming this is a linear scale that starts at a score of 0, a passing score of 105 is 65 points above the lowest score, out of 90 total points. This seems to imply that a score of roughly 73 percent would be passing (65/90), but who really knows? For example, if the minimum score of 40 is given to all scores below a certain level (say, 30 percent), then the required percentage of right answers would decrease.

Under the old IRS format of the exam, each part had 80 questions of varying point values that totaled 175 points. Parts 1 through 3 of the old exam had 20 true-false questions worth 1 point each, 25 non-computational, multiple-choice questions worth 2 points each, and 35 computational, multiple-choice questions worth 3 points each. Note that 60 percent of this 175-point total is 105 points. This appears to be the source of the 105 points on the new IRS-mandated scale, but the question is whether this scaled score implies a 60- or 70-percent minimum passing score.

The moral of the story? Don't worry about the possible scale. If you really work at it, you'll clear either hurdle.

4 Think Like an Examiner. Never lose sight of the purpose of the examination—to ensure that the successful applicant has demonstrated a *minimum level of competence necessary to represent a taxpayer before the IRS*. For that reason, expect the vast majority of the questions on the exam to test the basic fundamentals of taxation. For example, the exam may not address the exotic details of a tax straddle, but you can certainly expect questions on the basic netting of capital gains and losses. Ask yourself what some of the basic concepts are that every tax practitioner should know, and make sure that you can answer those questions. These include such items as the basic corporate tax formula, the flow-through nature of partnerships and S corporations, the basic features of an IRA, and the distinguishing characteristics of deductions *for* and *from* adjusted gross income.

5 Examine the Exams. The more previous exam questions you review, the better. For one thing, the Prometric Licensing Information Bulletin (at www.prometric.com/IRS) provides detailed lists of possible topics for each part of the exam. These, by and large, mirror questions asked on previous exams under the old IRS format. True, there are some new topics, mainly related to client relations and audit and representation responsibilities, and we'll discuss this factor next. But you need to get a flavor of the questions and the depth of knowledge expected on the exam under the old format.

More importantly, such reviews will help you consciously and subconsciously prioritize your studying, because you'll begin to note those topics that appear time and time again on the exam. Again, the IRS website has a number of exams (with answers) under the old format (under Tax Professionals—Enrolled Agents).

You may wonder how you can be sure that most of the same topics will continue to be tested with about the same frequency under the new exam format. First of all, the basic core knowledge required for tax return preparation and client representation has not changed; only the format of the exam has been tweaked. The taxation of sales and exchanges of property was extremely important on the old exam, and will continue to be important on the new exam, because that's a big part of practice. These "serial repeaters" occurred on past exams, not because the examiners were waiting for candidates to finally get them right, but simply because they were (and are) part of the minimum core of knowledge expected of an enrolled practitioner. By constantly repeating these questions, the IRS is telling you that they want you to know these things.

Although EAs are writing most of the exam questions these days, the questions will mirror what they deal with every day in practice. And remember, they are likely to examine the old exams when writing new questions as well.

Given that all topics are not created equal, it may be useful to examine tendencies on the old exams under the IRS format that are publicly available. In performing this analysis, each of the three parts of the exam can be divided into approximately 150 different topical questions. These analyses provide some interesting insights. For example, the "think like an examiner" approach is appropriate when you note that most topics are fundamental staples of tax practice. (For a

listing of topics that have been covered at least seven times in the last ten publicly available EA exams, visit www.natptax.com. Click on *Publications*, *TAXPRO Quarterly Journal*, and *Featured Article*.)

6 Don't Panic When Confronted With the "New" Topics. Many candidates are somewhat anxious about the new "soft" topics on each part of the exam.

These include the following new major categories in the examination specification content outlines mentioned earlier:

- **Part 1:**
 - Preliminary Work to Prepare Tax Returns
 - Tax Returns for Individuals, Taxpayer Data
 - Minimization of Taxes Paid
 - Advising the Individual Taxpayer
- **Part 2:**
 - Analysis of Financial Records
 - Advising the Business Taxpayer
- **Part 3:**
 - Building the Taxpayer's Case: Preliminary Work
 - Reviewing Taxpayer Information Before the IRS
 - Representation
 - Building the Taxpayer's Case: Reviewing the Financial Situation
 - Building the Taxpayer's Case: Supporting Documentation
 - Completion of the Filing Process: Accuracy
 - Completion of the Filing Process: Information Shared With the Taxpayer

Incidentally, candidates for the SEE Exam are not the only ones panicking; those of us *writing* review courses are also trying to figure out just how the examiners can ask decent questions on some of these topics! But everyone needs to step back a minute, relax, and consider these factors:

- A close inspection of these categories reveals that, most likely, a number of the questions can be answered with reference to basic knowledge on many of the technical topics studied for the exam. In most cases, any questions on minimization of taxes or advising taxpayers will invariably be offshoots of basic knowledge of the computation. For example, knowledge of the common adjustments and preferences for the alternative minimum tax would probably provide enough information to answer planning questions on this topic. And knowing the five tests for dependency would probably be enough to answer any "taxpayer data" questions regarding exemption deductions.
- Many of the "new" topics in Part 3 relate to taxpayer representation before the IRS, and will necessarily touch on a number of technical issues covered elsewhere in your basic studying. For example, the old exam included a number of questions on recordkeeping and document retention requirements, and these are probably relevant here as well.
- Knowledge of solid office tax practices may help you answer a number of the preliminary work and initial preparation questions. Many of these questions might be answered with knowledge of the typical client ques-

tionnaire completed at the beginning of an engagement (or possibly the client interview form or the interview question portions of the typical tax preparation software package). A number of professional organizations offer client checklists or office practice guides on their websites, and these might prove valuable in preparing for these types of questions.

- But what if they still ask a question on one of these topics and you have no idea what they are talking about? Here's where the scientific guess comes in. Seriously, if you are having problems with a question, other candidates are likely experiencing the same problem, and this may ultimately be reflected in the final scoring adjustments for that part of the exam. Remember, you don't have to outrun the examiners; you just need to keep pace with the other candidates!

7 Open the IRS CD-ROM and Prioritize. I know. You purchased a review course to *avoid* opening the CD-ROM package of IRS Study Materials. And most review courses promise that you won't need to open the package. But if you did not purchase a review course you *must* open the package, and even if you did purchase such a course there is still much to be gained by examining these IRS materials. For one thing, many of the answers are word-for-word from these publications, and your memory can surprise and delight you at times. Not all of these materials are created equally, and some publications (such as Publication 17, *Your Federal Income Tax*) provide enough basic information to avoid the more tedious and detailed, specific-topic publications such as Publication 501, *Exemptions, Standard Deduction, and Filing Information*.

At a minimum, the following general publications, forms, and instructions should serve as the core for your studying efforts (or at least serve as prime supplementary reading for a review course):

- *Part 1:* Publications 17, 463*, 535, 544*, 550, 551*, 559, 590, 950, Inst. 706, Inst. 709, Inst. 1040, Inst. 1041, Inst. 5500EZ.
- *Part 2:* Publications 15, 225, 334, 463*, 535, 541, 542, 544*, 551*, 560, 946, Form 8832, Inst. 2553.
- *Part 3:* Publications 5, 216, 552, 556, 947, 1345, Inst. 2848, Forms 8453, 8821.

* Essential for both Part 1 and Part 2.

Note: As electronic preparation of returns increases, so does the number of questions regarding this topic on the exam. And electronic filing considerations are mentioned as possible test material under some of the new topics added to Part 3, such as "Accuracy." So be *absolutely* sure to review Publication 1345 before taking the exam.

8 Know "What's New" and Observe Cutoff Dates. Another reason to crack open the IRS materials is to review "what's new." Each publication of the IRS includes a section on "what's new for this year." These topics represent potential examination material. More importantly, each year the IRS issues a separate publication, like Publication 553, *Highlights of the 2007 Changes*, which summarizes all

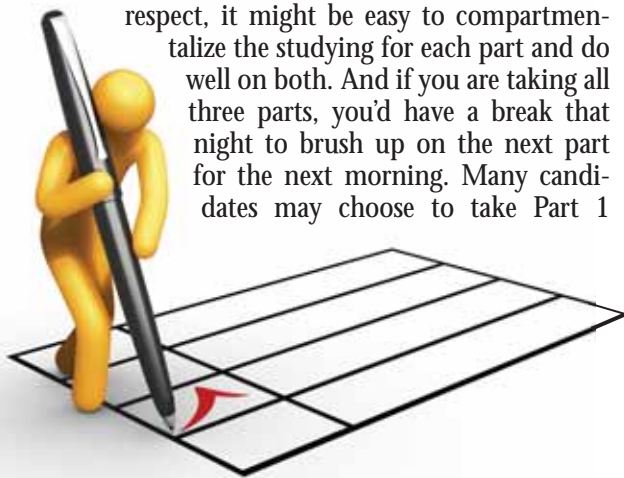
these changes. This publication is included with the study materials and is a must read for all candidates for the exam. This publication is also a handy source for summarizing all inflation-adjusted numbers related to the tax law for the current exam.

9 Practice, Practice, Practice. Prometrics realizes that the electronic examination represents a change in testing protocol for the SEE, so they ask that you arrive at the test site at least 15 minutes early to take a tutorial on the computerized exam. But why wait until then? Prometrics offers the same tutorial online. Whatever you do, take this tutorial several times before actually taking the exam. Things will be different enough at the testing center, and this is one way to remove some of that anxiety ahead of time.

The software developed by Prometrics is very user-friendly and quite logical. Be sure to master the calculator function as well before actually taking the exam. Hint: If you take the sample tutorial questions online, be aware that at the end several of the questions are marked for review, even though you may not have marked them as such; Prometrics just wants to demo this feature before you exit the tutorial.

10 Which Parts to Take and When? The new electronic format permits candidates to take the exam more or less wherever, and more importantly, *whenever* they want. Obviously, this means that there is a huge data base of questions for each part of the exam, and more than likely each exam will be randomly generated from this data base (based on the percentages shown on the exam specification outlines). All of the options and requirements are explained in the Licensing Information Bulletin pamphlet available for download at www.prometric.com/IRS. Given these options, which part (or parts) should you take first? There is no magic answer to this question, as this is an individual decision. Most candidates will simply choose to take each part separately, with a window for studying between each part.

On the other hand, if significant travel is involved in reaching a test center, some candidates may choose to take the entire exam over a two-day period. If more than one part is to be taken in a single day, it would make sense to take Part 3 as one of those two tests. There are less complicated details to master with Part 3, and no numbers at all. In this respect, it might be easy to compartmentalize the studying for each part and do well on both. And if you are taking all three parts, you'd have a break that night to brush up on the next part for the next morning. Many candidates may choose to take Part 1



(Individuals) first, since they are more familiar with the coverage. However, don't shortchange this portion of the exam. As mentioned earlier, no detail is too insignificant for this part, and one needs only to refer to the pass percentages to realize that this part is no gimme.

One other thought: If you are going to take the exam one part at a time, try not to schedule a long interval between Parts 1 and 2. There are a number of topics that overlap these two parts (e.g., travel and entertainment expenses, related party losses, sales of property, nontaxable exchanges), and topics you mastered from studying one part may kick in on the next part.

Part II When D-Day Arrives

11 It's All Relative, So Go Ahead and Anoint Yourself Master of the Universe. We all have feelings of anxiety and inadequacy as a big day in our lives approaches, and the SEE is no different. However, try not to forget that the exam is in many respects graded on a curve, and many others taking the exam are a lot less prepared than you are. So if you have put the time in and believe you are ready, approach the exam with an air of confidence and defy them to ask any question that you can't answer. For these two days, you should firmly believe that you are the master of the universe.

12 Respond to Those Guilt Pangs. Most authorities on exam taking will suggest that you study very little (if at all) on the night prior to an exam. And generally this is good advice. But if there is a big part of you that feels guilty about doing this, then go ahead and study for a short period the night before the exam. However, do not turn this into a panic attack; just brush up on the topics that you just *know* are going to be on the exam. Allocate a *maximum* of one to two hours to this and then go to bed for hopefully some guilt-free rest.

13 Budget Your Time and Answer Each Question Correctly. Now, this is sure a keen insight into the obvious, isn't it? The point is a simple one; make sure you mark each question as you intend to, and make liberal use of the flagging feature of the software for questions you would like to review before completing the exam. If you budget 1½ minutes for each exam question, that would leave almost an hour for reconsidering flagged questions and reviewing the entire exam. Mark estimated times for every question (i.e., at Question 21 you should be 30 minutes into the exam, at Question 41 you should be 1 hour into the exam, etc.). Try to stick with this rough schedule so that you will have plenty of time for reviewing the exam.

14 Move On, As First Impulses Are Usually Your Best Answers. There are several studies indicating that a person's first instinct as to an answer is more likely to be correct than a revised answer. This is especially true for multiple-choice questions. Answer the question and move on. If you are quite unsure about your answer, flag the question and return to it as time permits. But again, don't

talk yourself out of your first impulse unless a light bulb suddenly comes on and this revelation was not considered the first time.

15 Remember: This is a Tax Exam, Not an Accounting Exam. Anytime you believe the answer to a question is the same answer that you would have for financial accounting purposes, stop and ask yourself if you have missed something. There are a number of areas where accounting and tax rules differ, and many of these instances are tested on the exam. For example, suppose that a calendar-year, accrual-basis lessor receives a \$36,000 prepayment for 3 years rent from a calendar-year, cash-basis taxpayer. Financial accounting would dictate that the lessor report \$12,000, or one-third, as rental income in Year 1 under the matching theory, while tax law states that the entire \$36,000 prepayment is taxed immediately under the wherewithal-to-pay doctrine. Likewise, the tax law states that an item cannot be deducted by a cash-basis taxpayer until it is both *paid and incurred*, so the lessee could only deduct \$12,000 in Year 1 (even though \$36,000 was paid).

16 Watch For Clues in the Answers. Sometimes a little knowledge can go a long way and help you eliminate some answer choices. For example, assume that you remember that a personal casualty and theft loss must always be reduced by a \$100 floor, and you are confronted with the following exam question:

Several years ago, Mr. B purchased an antique vase for his personal use at a flea market sale for \$500. This vase was stolen on July 1, 2006, when its fair market value was \$1,000. Mr. B had insurance on the vase, but only for \$300 with no deductible amount. B had no other casualty losses. What is the amount of B's allowable casualty loss for 2006, disregarding the limitation based on adjusted gross income?

- a. \$100
- b. \$200
- c. \$500
- d. \$600

Since you know that the \$100 floor per casualty or theft must be subtracted, there is no way that answers (b) or (c) could be correct with any combination of the numbers. If you start with \$1,000 as the initial loss and subtract the \$300 insurance and \$100 floor, you obtain an answer of \$600; if you start with \$500 as the initial loss and subtract the \$300 insurance and \$100 floor, you obtain an answer of \$100. Even if you forget to subtract the insurance, your answers would be either \$900 or \$400, and these are not among the answer choices. So the answer has to be either (a) or (d), and hopefully you will choose answer (a), since the tax law never permits a loss greater than the actual cost of the item (since the appreciation in value was never reported as income).

17 Don't Let the "Advanced Topics" Scare You. Some of the real fears of many SEE candidates are questions related to aspects of taxation that they do not normally encounter in their practice. This is only natural, and many times this fear discourages individuals from ever taking the exam. However, there is a key point worth remembering here. Generally, only a fundamental knowledge is required for the exam, and this is especially true for questions on tax entities other than the sole proprietor in Part 2 (e.g., partnerships, corporations, S corporations, and estates and trusts). Here the exam questions look more like "book exam" questions, and some candidates find that they actually do better on these parts of the exam than Part 1 (where *no* question related to individual taxpayers is considered too picky; once again, just look at the recent pass percentages mentioned earlier). These areas are where review courses and/or college textbooks can be of immense help in preparing for the exam.

In some respects, the new exam format will actually *lessen* the weight of a few of these "advanced topics." For example, the sole proprietorship and partnerships, formerly tested separately, are now tested on Part 2, along with C corporations and S corporations. And all of the business income (e.g., farm income, inventories, etc.) and deduction principles (e.g., depreciation, bad debts, etc.) that were formerly tested

Special Enrollment Exam Study Kit (2007 Exam)

| Item | Part 1 | Part 2 | Part 3 |
|-----------------------------------|---|--|---------------------------------------|
| IRS Publications | 17, 463, 501, 502, 503, 504, 505, 514, 515, 517, 521, 523, 524, 526, 527, 530, 535, 536, 537, 541, 544, 547, 550, 553, 559, 925, 926, 946, 970, 972 | 15, 15A, 15B, 17, 225, 334, 463, 510, 515, 526, 527, 535, 536, 538, 541, 542, 544, 547, 550, 551, 553, 557, 560, 575, 590, 925, 946, 950 | 5, 216, 552, 553, 556, 594, 947, 1345 |
| IRS Forms and Instructions | W-2G, 706, 709, 1041, 1096, 1098, 1116, 2441, 5500EZ, 6251, 8801 | W-2, W-3, 1065, 1098, 1099, 1120S, 2290, 2553, 5500EZ | 2848 |
| IRS Forms Only | 1096, 8801 | 1096, 3800, 4810, 5452, 5498, 5884, 7004, 8832 | 8453 |
| IRS Circulars | | | 230 |

with sole proprietorships are now also on Part 2. So a sound foundation of business income and deduction principles applicable to business taxpayers may go a long way in helping a candidate pass Part 2, even with the more advanced topics present.

18 You May Know More Than You Think You Do.

Sometimes the answer to a question that you think you know nothing about may be answered by applying a few basic tax fundamentals that you do know something about. For example, the basic principles of §1031 like-kind exchanges of properties are applicable to a variety of other situations. What if a question involves the formation of a corporation, and a contributing shareholder receives shares of stock and cash? Or perhaps the transaction is a corporate reorganization, where the shareholder surrenders old stock and receives new stock and some cash. In both cases, taxable gain is limited to the “boot” received in the exchange (the nonsimilar property received, in these cases the cash received). Both illustrations are just a variation in the more familiar like-kind exchange rules, where the taxable gain is limited to the taxpayer’s wherewithal to pay tax. In fact, the *wherewithal to pay principle*, which states that the tax is imposed when the taxpayer is best able to pay and the government is best able to collect, can answer a variety of tax questions and may become your best friend come examination time.

19 Settle for Less Than 100 Percent.

No matter how well prepared you are, there will be a few questions that you’ll know *absolutely nothing* about. Some of the questions will be unbelievably picky and pulled out of obscure documents on the IRS Study List. Maybe it’s an unwritten rule that candidates must be taught humility at some point in the exam, and perhaps that’s a good thing—we’ll never know all the rules in practice either. Don’t be alarmed, as other candidates will have the same reaction as you. Just give the examiners that question (after making your best guess, of course—there’s no

penalty for guessing!) and move on. Hopefully, these questions will be few and far between, and your time is better spent on questions you do know something about.

20 Post-Mortems.

It’s a natural tendency to want to obsess about an exam right after taking the test. But, there’s nothing you can do about it after the fact. If you fall short on an exam, redouble your study efforts the next time. And, if you are taking another part of the exam soon, just view the previous test as a lost cause and move on with optimism and determination. Fortunately, the new exam format provides instant gratification (or instant mortification), as the exam score will appear on your screen immediately at the end of the exam, and you’ll receive a printed copy. If you pass, you will not receive a score, only notification that you have passed; if you fail, you won’t be given your scaled score (between 40 and 104), and some diagnostic information by topic area as to whether or not you score considerably below, marginally below, or at or above the minimally accepted score. Given these options, this is what you want to see when you press the button to submit the exam:

Score Report for Lastname, Firstname, MI

Special Enrollment Examination – Part 1: Individuals

Scaled

Topic Area:

Grade: Pass

(A total score of 105 is required to pass)

You Did It! Successful candidates may apply for enrollment when notified that they have passed all three parts of the Special Enrollment Examination. They must file a completed Form 23, along with a check for \$125, within one year of passing all three parts of the exam. Expect a few weeks delay before receiving your enrollment card, but this is something worth waiting for! ♦

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Topics Covered at Least Seven Times in the Last Ten Publicly Available EA Exams: Part 1 of the Exam

Requirements to File a Return

Exemption Deductions – Gross Income Test

Filing Status – Head of Household

Statutory Fringe Benefit Exclusions

Dividend Income – Dividend Reinvestment Plans

Prepaid Rental Income and Deposits

Reporting Rental Income – Vacation Rental Homes

Social Security Income – Basic Computation

Passive Activities – The \$25,000 Real Estate Exception

Investment Incomes – Mutual Funds and REITS

Miscellaneous Income – Members of the Clergy

Prizes, Awards, and Scholarships

Forgiveness of Indebtedness Income

Requirements for Alimony for Tax Deduction/Inclusion

Medical Expenses of Dependents and Family Members

Qualifying Medical Costs

Medical Expenses – Capital Expenditures

Interest Expense – Home Acquisition and Home Equity Interest

Charitable Deductions – Qualifying Organizations and Contributions

Charitable Contributions – Limits on Contributions of Property

Charitable Contributions – Substantiation

Casualty and Theft Losses – Determining the Deduction

Employee Business Expenses – Meals and Entertainment

Employee Business Expenses – Transportation and Auto Expenses

Travel Expenses of Employees or Self-Employed Individuals

Reimbursed Employee Expenses and Required Documentation

Education Expenses of Employees

Miscellaneous Itemized Deductions Subject to the 2% AGI Floor

Capital Assets – Holding Period

Statutory Gain or Loss – Transactions Between Related Parties

Statutory Gain or Loss – Nonbusiness Bad Debts

Statutory Gain or Loss – Miscellaneous (1244 Stock, Worthless Stock)

Like-kind Exchanges – Adjusted Basis of New Property

Determining Adjusted Basis – Purchased Property



Topics Covered at Least Seven Times in the Last Ten Publicly Available EA Exams: Part 1 (continued)

Determining Adjusted Basis – Stock and Stock Dividends

Determining Adjusted Basis – Gift Property

Determining Adjusted Basis – Inherited Property

Capital Gain or Loss Netting – 15%-Rate "Pure" Capital Assets

Determining Net Capital Losses and Carryovers

Exclusion of Gain on Sale of a Residence – Qualifications

Exclusion of Gain on Sale of a Residence – Computations

Installment Sales – Basic Computations

Dispositions of Installment Notes

Child and Dependent Care – Qualified Expenses

Earned Income Credit – General Qualifications

Earned Income Credit – Basic Computations

Child Tax Credit

Individual Alternative Minimum Tax – Adjustments and Preferences

Alternative Minimum Tax Computation and Related AMT Credit

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Like-kind Exchanges – Determining Gain or Loss

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§351 Transfers – Transfers of Services

§351 Transfers – Gain (Loss) Without Boot Received

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§351 Transfers – Basis of Property Received by Corporation

§351 Transfers – Basis of Stock to Shareholders

§351 Transfers – Basis of Property to Shareholders

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C Corporation Redemptions – Dividend or Exchange Treatment

C Corporation Redemptions – Stock Attribution Rules

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Estates and Trusts – Computing the Allocated Income (Loss) to Beneficiaries

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U.S. Tax Court – Basic Procedure

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Penalties – §6694(a) Understatement of Tax Due to Unrealistic Position on Return

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Tax Preparers – Who Must Sign a Return

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IRS Administration – The Collection Process

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