

# Table of Contents

<b>Practice and Procedures</b> .....	<b>1</b>
Practice Before the IRS.....	1
Categories of Individuals Who May Practice .....	2
Eligibility to Become an Enrolled Agent.....	7
Application for Enrollment.....	8
Requirements for Enrolled Agents .....	8
Information to be Furnished.....	8
Client Omission .....	9
Accepting Assistance .....	10
Solicitation and Advertising .....	10
Fees.....	11
Due Diligence .....	12
Conflicting Interests .....	13
Negotiation of Taxpayer Check .....	13
Standards for Tax Returns, Documents, and Affidavits.....	14
Requirements for Written Advice.....	16
Enrollment Cycle and Renewal .....	17
Continuing Education Requirements .....	18
Tax Shelter .....	20
Prompt Disposition .....	25
Return Client Records .....	25
PTIN Requirements.....	26
Practitioner Supervisory Responsibilities .....	27
Practice by Former Government Employees.....	27
Notaries .....	28
Practice of Law .....	28
Best Practices for Tax Advisors.....	28
Competence .....	28
Sanctionable Acts.....	29
Sanctions.....	29
Incompetence and Disreputable Conduct .....	29
Frivolous Tax Submission .....	31
Fraudulent Transactions.....	31
Receipt of Information Concerning Practitioner.....	38
Rules Applicable to Disciplinary Proceedings .....	38
Institution of Proceeding .....	38
Conferences .....	38
Contents of Complaint .....	39
Service of Complaint .....	39
Answering the Complaint.....	40

Supplemental Charges .....	40
Motions and Representation.....	41
Administrative Law Judge.....	41
Decision of Administrative Law Judge.....	42
Appeal of Decision of Administrative Law Judge.....	42
Reinstatement .....	43
Penalties.....	43
Tax Return Preparer.....	43
Understatement of Taxpayer Liability .....	47
Accuracy-related Penalty.....	56
Furnishing a Copy of a Return to a Taxpayer.....	58
Signing Returns.....	59
Furnishing Identifying Numbers.....	59
Keeping Copies or Lists of Returns .....	60
Record of Employees .....	60
Negotiate or Endorse a Taxpayer's Check from the IRS.....	61
Preparer Penalty Involving Earned Income Tax Credit .....	61
Request for Refund .....	63
Practices and Procedures Review Questions .....	67
Practices and Procedures Review Answers.....	71
<b>Representation Before the IRS .....</b>	<b>75</b>
Power of Attorney.....	75
Requirements for Power of Attorney .....	76
Alternate Forms of Power of Attorney .....	77
Who Must Execute the Power of Attorney.....	78
Rules for Client Privacy and Consent to Disclose .....	80
Tax Information Authorization.....	80
Changing or Dropping Representatives .....	81
Centralized Authorization File System.....	82
Conference and Practice Requirements.....	83
Building the Taxpayer's Case — Preliminary Work.....	86
Identify Taxpayer's Issues .....	86
Competence .....	89
Conflict of Interest.....	89
Transcripts from the IRS.....	90
Copy of Return .....	91
Taxpayer Financial Situation .....	91
Income.....	91
Taxpayer's Ability to Pay the Tax .....	92
General Financial Health.....	93
Third Party Research.....	93
Discharge of the Tax Liability in Bankruptcy.....	93
IRS Allowable Living Expense Standards .....	95
Supporting Documentation.....	95

Financial Documents .....	95
Prior and Subsequent Tax Returns .....	101
Contemporaneous Documentation.....	101
Employment Reimbursement Policies.....	101
Business Entity Supporting Documents .....	102
Expense Records .....	102
Legal Authority and References .....	104
Internal Revenue Code.....	104
Treasury Regulations .....	104
Revenue Rulings and Revenue Procedures .....	105
IRS Notices.....	106
Case Law.....	106
IRS Publications .....	107
Private Letter Rulings .....	108
Form Instructions.....	108
Internal Revenue Manual .....	108
Authoritative vs. Nonauthoritative Source Material.....	108
Tax Treaties.....	108
Related Issues.....	111
Statute of Limitations .....	111
Post-filing Correspondence .....	115
Requests for Information .....	117
Deadlines and Timeliness .....	118
Third Party Correspondence .....	118
Freedom of Information Act Requests.....	125
Tax Avoidance versus Tax Evasion .....	127
Tax Return Disclosure Statements.....	129
Taxpayer Advocate Service.....	129
Identity Theft.....	130
Judicial Levels of Representation Beyond the Scope of an Enrolled Agent.....	130
Representation Review Questions .....	133
Representation Review Answers .....	137
<b>Specific Types of Representation.....</b>	<b>141</b>
Collection Process.....	141
Extension of Time to Pay.....	142
Installment Agreement.....	143
Offer In Compromise .....	148
Collection Appeal Process.....	150
Understanding the Collection Process .....	153
Adjustments to the Taxpayer's Account .....	153
Audit Reconsideration .....	154
Decedent Issues.....	155
Notice of Federal Tax Lien .....	155
Levy and Seizures of Taxpayer's Property.....	157

Currently Not Collectible.....	159
IRS Collection Summons.....	160
Collection Statute of Limitations .....	160
Trust Fund Taxes .....	161
Amended Return .....	161
Penalties and Interest.....	162
Penalties Subject to Abatement .....	162
Abatement of Penalties .....	162
Interest.....	166
Procedure for Requesting Abatement .....	168
Bad Check.....	168
Failure to File Tax Return or to Pay Tax.....	169
Reportable Transactions .....	169
Examinations and Audits.....	170
Taxpayer Bill of Rights.....	170
IRS Authority to Investigate .....	171
Limited Practitioner Privilege .....	171
Examination of Returns .....	172
Innocent Spouse.....	176
Interpretation of Revenue Agent Report.....	182
Interpretation and Analysis of CP-2000 and Correspondence Audits .....	182
Explanation of Taxpayer Options .....	183
Special Procedures for Partnership Audits.....	185
Preparer Conflict of Interest.....	187
Appeals .....	187
Appeal Rights .....	187
Appeal Within the IRS .....	188
Request for Appeals Consideration.....	188
Representation at Appeals Conference.....	189
Settlement Function of the Appeals Process.....	189
Issuance of 90-day Letter .....	189
Appeal to the Courts.....	190
Specific Representation Review Questions .....	193
Specific Representation Review Answers.....	197
<b>Completing the Filing Process.....</b>	<b>201</b>
Accuracy.....	201
Using Tax Software .....	201
Matching Inputs and Outputs.....	202
Information Shared with Taxpayer .....	203
Recordkeeping Requirements .....	203
Significance of Signature.....	206
Consequences of Dishonesty .....	207
Preparer Records .....	207
Length of Time to Retain Returns and Records .....	207

The Components of the List .....	208
Employment Records .....	209
EITC Due Diligence Requirements.....	209
Security of Taxpayer Data .....	211
Electronic Filing .....	212
Filing .....	212
How to Apply to be an Authorized IRS <i>e-file</i> Provider .....	216
<i>e-file</i> Mandate.....	222
Waivers.....	222
Advertising Standards .....	222
Participating in IRS <i>e-file</i> .....	223
Electronic Return Originator .....	223
Monitoring Authorized IRS <i>e-file</i> Providers.....	224
Compliance Requirements to Continue in Program .....	226
EFIN Revocation Appeal .....	227
<i>e-file</i> Authorization.....	227
Rejected Returns and Resolution.....	230
Identity Theft Procedures and Resolution .....	232
Completing the Filing Process Review Questions.....	235
Completing the Filing Process Review Answers .....	239
<b>Appendix</b> .....	<b>243</b>
<b>Index</b> .....	<b>291</b>