

INTERNAL REVENUE SERVICE

Enrolled Agent Special Enrollment Examination

Licensing Information Bulletin

For examinations in 2006

Register online at www.prometric.com/irs

Published by



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Key	
	Overview information
	Important note or hint

Introduction

A message from the IRS

An enrolled agent is a person who has demonstrated competence in tax matters, allowing that individual to represent taxpayers before the Internal Revenue Service. A person wishing to become an enrolled agent must pass a three-part Special Enrollment Examination (SEE) as well as a background check. Thomson Prometric has been selected to develop and administer the SEE. 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 Thomson Prometric via the Web 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/irs. Fax and mail options are also available.
- 3** Prepare for your examination.
The examination topics listed in this guide are the basis for the examination. For more information about preparing for your examination, see Page 4.
- 4** Take the scheduled examination, bringing required identification to the test center.
If you sit for your examination in 2006, you will receive your results in early 2007. Starting in May 2007, you will receive your results immediately after the examination. (For more information about taking your examination, see Page 5.)
- 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.
As part of the processing of your application, the Internal Revenue Service will conduct a background check that will include a review of any tax compliance issues that you may have.



To get answers not provided in this bulletin

Direct all questions and requests for information about registering and scheduling examinations to:

Thomson Prometric

Visit our Web site at www.prometric.com/irs
Registration Fax: 800.347.9242
Scheduling: 800.306.3926

OR Send Mail to:

Thomson Prometric

Attn: IRS Special Enrollment Examination
1260 Energy Lane
St. Paul, MN 55108

REGISTERING AND SCHEDULING YOUR EXAMINATION APPOINTMENT

Direct questions about applying for enrollment to:

**Internal Revenue Service
Office of Professional Responsibility**

Phone: 313.234.1280

Fax: 313.234.1293

E-mail: EPP@irs.gov

Answers to many questions can be found at www.irs.gov. Click on "tax professionals" and then click on "enrolled agents."

Registering and scheduling your examination appointment

The Internal Revenue Service has contracted with Thomson Prometric to conduct its examination program. Thomson Prometric provides computerized testing at test centers throughout the world. The IRS and Thomson Prometric are working together closely to ensure that examinations meet federal requirements as well as professional examination development standards.

In 2006, the SEE examination will only be offered in the United States, Canada and London.

Starting in May 2007, the SEE examination will be offered globally.

Test dates

The examination will be offered during the following time periods:

- **For 2006** - The first test window will be October 5 to December 1.
- **For 2007** - The second test window will be January 2 to February 28. Candidates who took an examination during the first test window should wait until they receive their test results before rescheduling for the same examination part in the second test window. There will be no refunds for individuals who reschedule for an examination part in the second test window and later find out that they passed that part during the first test window.
- The third test window will begin May 1, 2007 and examinations will be offered continuously through February 28, 2008. Individuals may begin registering for 2007 examinations in December 2006.

Registration process

The registration period for the examination opens on July 7, 2006. To register for an examination, you must complete Form 2587 by using one of the three following options:

1. Online—a one-step process

Completing Form 2587 online is considered an "express registration." This is the only way to register and schedule an examination in the same day.

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

- Access www.prometric.com/irs and click **Register/Schedule an examination**.
- Click **Online Registration and Scheduling** and follow the prompts.
- If it's your first time, click **Create Account** to set up your user ID and password.
- Complete the registration process by clicking on **Scheduling**.

2. By fax to 800.347.9242

- Fax your completed Form 2587 to Thomson Prometric at 800.347.9242.
- Wait one full calendar day before scheduling an examination appointment.

3. By mail

- Mail your completed Form 2587 to:

Thomson Prometric
Attn: IRS Special Enrollment Examination
1260 Energy Lane
St. Paul, MN 55108

- Wait six to 10 calendar days for delivery and processing before scheduling an examination appointment.



Note For security and tracking purposes candidates who wish to register for the examination must first have a Preparer Tax Identification Number (PTIN). A detailed description on obtaining a PTIN number can be found online at www.prometric.com/irs.

Scheduling your examination

Candidates can take each part of the examination at their convenience. Consequently, parts do not have to be taken on the same day, or on consecutive days. All parts do not have to be taken or scheduled during an examination window.

Candidates can take examination parts:

- One time each during the First Test Window (October 5, 2006 to December 1, 2006).
- One time each during the Second Test Window (January 2, 2007 to February 28, 2007).
- Up to four times each during the Third Test Window (May 1, 2007 to February 28, 2008) and beyond.

Once your registration has been processed, you can schedule an examination appointment at any time online at www.prometric.com/irs or by calling 800.306.3926 between 8 a.m. and 9 p.m. (Eastern time), Monday through Friday. You will be provided a number confirming your appointment. Record and keep this confirmation number for your records—you will need it to reschedule, cancel or change your appointment in any way.

Examination locations

Examinations are administered by computer at a Thomson Prometric Testing Center. Currently, the Special Enrollment Examination is given at nearly 300 Prometric testing centers located across the United States and internationally. Test centers are located in most major metropolitan areas. A complete list of these testing centers, addresses and driving directions is located at www.prometric.com/irs. Choose "Test Sites" from the list at left and then choose "Locate a Test Site." Most locations are open on Saturdays and some locations are open on Sundays and evenings.

Testing fees

The testing fee is \$86 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.**

PREPARING FOR YOUR EXAMINATION

The cost of the examination is expected to increase in 2007 to reflect user fees, which are the IRS' costs to maintain oversight of the examination.



Note Candidates have one year from the date of registration to take an examination.

Rescheduling your appointment

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

Rescheduling fees will apply as follows:

- **No fee** if you reschedule at least **30 calendar days** prior to your appointment date.
- **\$35 fee** if you reschedule **five to 29 calendar days** before your appointment date.
- **Another \$86 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/irs or by calling 800.306.3926. You cannot reschedule an examination by fax, e-mail or voicemail.

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 \$86 to schedule a new appointment.

Emergency closings

Severe weather or an emergency could require canceling scheduled examinations. If this occurs, Thomson 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 site is closed, your examination will be rescheduled without a rescheduling fee.

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

Special test considerations

ADA accommodation. If you require testing accommodations under the Americans with Disabilities Act (ADA), please call Thomson Prometric at 888.967.1139 to obtain an accommodation request form.

Note to those for whom English is a second language: a language barrier is not considered a disability.

Preparing for your examination

You should use this edition of the bulletin only if you expect to take the examination in 2006. If you plan to take the examination in 2007, this bulletin will be updated.



Important For both the first test window (October 5, 2006 - December 1, 2006), and the second test window (January 2, 2007 - February 28, 2007), all references on the examination are to the Internal Revenue Code, as amended through December 31, 2005. Also, unless otherwise stated, all questions relate to the calendar year 2005. For the third test window (May 1, 2007 - February 28, 2008), all references on the examination are to the Internal Revenue Code, as amended through December 31, 2006. Also, unless otherwise stated, all questions relate to the calendar year 2006.

Study materials

In studying for the examination, candidates 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 can be found by going to www.irs.gov, clicking on "tax professionals" and then "enrolled agents." This material may also be ordered from the IRS as a CD-ROM. You may order the Federal Tax Products CD-ROM (Publication 1796) by calling 877.233.6767. The CD cost is \$25. There is an additional \$5 handling fee if ordered by phone. To avoid the handling fee, the CD can be ordered via the Web at www.ntis.gov.

Examination topics overview

Please refer to Page 11 of this Bulletin for an outline of topic areas contained on the examination.

The examination contains three parts. 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:

- **Part 1** - Individuals
- **Part 2** - Businesses
- **Part 3** - Representation, Practice and Procedures

Thomson 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. As a result of the findings of the survey, there may be some changes from prior examinations in terms of emphasis or de-emphasis of certain areas tested.



Hint Candidates can view copies of prior Special Enrollment Examination questions and answers by going www.irs.gov, click on "tax professionals," "enrolled agents," and then click on "Special Enrollment Examination."

Taking your examination

The testing process

Your examination will be given by computer at a Thomson Prometric testing center. You do not need any computer experience or typing skill 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.

Arrival. You should arrive at least **15 minutes before** your scheduled examination appointment. This allows time for you to sign in and for staff to verify your identification.

TAKING YOUR EXAMINATION



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

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

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

Testing regulations

To ensure that all candidates are tested under equally favorable conditions, the following regulations and procedures will be observed at each testing center. Failure to follow any of these security procedures may result in the disqualification of your examination and forfeiture of testing fees. Thomson Prometric reserves the right to audiotape and videotape any examination session.

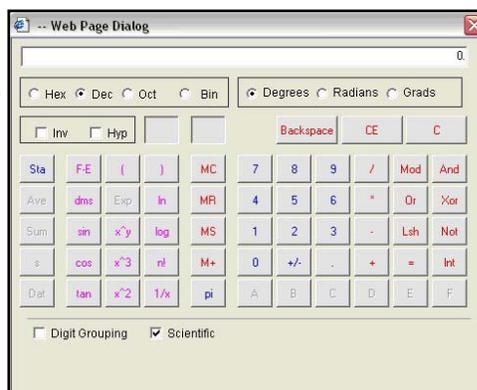
Candidates will not be able to leave the testing room with a copy of the examination or with notes taken during the examination. Copies of the examination will not be made available to candidates after testing in order to ensure the security of the examination process.

References

- No reference materials, papers or study materials are allowed at the test center. If you are found with these or any other aids, you will not be allowed to continue the examination and your answers will not be scored. Some examination questions may contain excerpts from the Internal Revenue Code or Income Tax Regulations.

Calculators

- Calculators and slide rules are **not** allowed. Candidates will be able to use an onscreen scientific calculator during the examination. A screen shot of the calculator is provided here.



Personal items

Thomson Prometric is not responsible for items left in the reception area of the testing center. While lockers are provided, it is recommended that personal items not be brought into the testing center. Note the following:

- Electronic equipment—cameras, tape recorders, cell phones, PDAs, pagers, etc.—is not permitted in the testing room and must be powered off while stored in a locker.
- Pocket items—keys, wallet, etc.—must remain in your pocket or be stored in a locker during testing.
- Other personal items—digital watches, outerwear that is not being worn while testing (sweater, jacket, etc.), briefcases, purses, etc.—are not permitted in the testing room.

Breaks

- If you leave the testing room while an examination is in progress, you must sign out/in on the roster and you will lose examination time.

Visitors

Misconduct or disruptive behavior

Weapons

- You are not allowed to use any electronic devices or phones during breaks.
- No guests, visitors or family members are allowed at the testing center.
- Candidates who engage in any kind of misconduct or disruptive or offensive behavior may be dismissed from the examination. Examples are: giving or receiving help, taking part in an act of impersonation, removing test materials or notes from the testing room, using rude or offensive language and behavior that delays or interrupts testing.
- Weapons are not allowed at the testing 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.

Question types

The questions in your licensing examination are multiple choice. Each 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.

Your examination results

Examination scores are confidential and will be revealed only to you and the IRS.

For the first testing window (October 5, 2006 – December 1, 2006), score reports will be sent by mail in January 2007.

For the second testing window (January 2, 2007 - February 28, 2007), results will be issued approximately four weeks after the candidate takes the examination.

TAKING YOUR EXAMINATION

Beginning in May 2007, scores will be shown on screen at the end of your examination and you will receive a printed score report.

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.

Pass. If you pass, the score report will only show a passing designation. It will not show a score. 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.

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 results by topic area as follows:

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

After passing. When you pass all three parts of the examination, you can file Form 23, Application for Enrollment to Practice Before the Internal Revenue Service.

Sample score report

Score Report for Sample, Sarah A.	
Special Enrollment Examination - PART 2: Business Tax Returns	
Scaled	
Topic Area	Marginally below the minimally acceptably score
Grade: Fail	
(A total score of 105 is required to pass)	



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

Rescheduling failed examination parts

Candidates may take each part of the examination only once during the first window (October 5 – December 1, 2006) and again once during the second window (January 2, 2007 – February 28, 2007). Parts need not be taken on the same day or consecutive days.

For the third testing window (May 1, 2007 – February 28, 2008) and subsequent testing windows, candidates may take each part of the examination up to four times. Starting May 1, 2007, candidates must wait a minimum of two weeks before retaking the same examination part in which they previously did not receive a passing score.

Carryover policy

Carryover of scores under the new examination format. Candidates can sign up for the examination one part at a time. Candidates who pass a part of the

examination under the new format can carryover passing scores up to two years from the date the candidate took the examination. For example, let's assume a candidate passes part 1, which the candidate took on November 15, 2006. Subsequently the candidate takes part 2 on February 15, 2007 and passes that part. That individual has until November 14, 2008 to pass the remaining parts otherwise he/she loses credit for part 1. On February 14, 2009, if that individual still has not passed all other parts of the examination, he/she loses credit for part 2.

Transition rules for carryover of scores from the old examination format.

Under previous rules, subject to certain restrictions, some candidates who did not pass all four parts of the IRS Special Enrollment Examination could carryover scores for the sections they passed. For the new format of the examination, the following transition rules will be in effect.

Subject to the conditions noted below, candidates who were eligible to carryover passing scores under the IRS four-part format will not be required to take the corresponding part of the Thomson Prometric three-part examination.

Thomson Prometric Examination	Corresponding IRS SEE Part(s)
Part 1 - Individuals	Part 1 - Individuals
Part 2 - Businesses	Part 2 - Sole Proprietorships and Partnerships AND Part 3 - Corporations, Fiduciaries, Estate and Gift Tax and Trusts
Part 3 - Representation, Practice and Procedures	Part 4 - Ethics, Recordkeeping Procedures, Appeal Procedures, etc.

Candidates who only passed part 2 or only part 3 under the old format must retake part 2 under the new examination format.

The above transition carryover rules are subject to the following restrictions:

- In order to carryover scores from the IRS format to the Thomson Prometric format, candidates must meet prior minimum retention rules for carryover; specifically the candidate must have been notified by the IRS that they could carryover scores for the parts passed.
- Candidates applying carryover scores from the IRS format to the Thomson Prometric format may only do so through December 31, 2007. Consequently, individuals who passed part(s) of the 2003, 2004 or 2005 examinations (and met prior minimum retention rules for carryover) would have until December 31, 2007 to pass the remaining part(s) of the examination.
- Candidates who passed parts of the 2002 examination or earlier examinations may not carryover their scores. They have used up all remaining attempts to pass the examination under the former rules.

Feedback

Candidates will be surveyed at the conclusion of the examination, which will allow an opportunity to provide both Thomson Prometric and the IRS with feedback on the examination questions or the testing experience. While your comments are considered, you will not receive a response to your survey comments.

APPLYING FOR ENROLLMENT

Alternatively, candidates who wish to receive a written response can make an official written request. The request must include your name, PTIN number, the examination title, the date you tested and the details of your concern, including all relevant facts. Be sure to include your return address. Mail your letter to:

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

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 at www.irs.gov, click on "tax professionals" and then click on "enrolled agents." Attaching copies of passing score reports reflecting all parts passed to your Application for Enrollment to Practice Before the Internal Revenue Service (Form 23) will speed up processing of your application. Thomson Prometric will not reissue lost score reports.

The IRS's Office of Professional Responsibility will process, review and act on your application for enrollment.

As part of the evaluation of your enrollment application, the Office of Professional Responsibility will conduct a background check that will include a review of any tax compliance issues you may have, including failure to timely file and pay, penalties, etc.

Examination topics

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.

However, this list is based, in part, 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.

Some topics may appear in more than one exam part.

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

Part 1 - Individuals

Preliminary work to prepare tax returns

- Use of prior years' returns for comparison
- Accuracy of prior year's return
- Taxpayer biographical information (e.g. date of birth, age, marital status, dependents)
- Immigration status and/or citizenship (e.g., citizen, resident alien or non-resident alien)
- Taxpayer filing status
- Sources of all income (e.g. interest, wages, business, sales of property)
- Sources of applicable adjustments to gross income (e.g., retirement plans)
- Sources of applicable deductions
- Sources of applicable credits
- Tax payments (e.g. withholding, estimated payments)
- Determine if individual and/or business entity involved
- Items that will affect future returns
- All required taxes filed (e.g., employment, gift, estimated)
- Special filing requirements (e.g., gifts, foreign income)

Tax returns for individuals

Taxpayer data

- Filing requirements for tax returns and extensions
- Personal exemptions including dependents
- Taxation of unearned income of certain minor children (Kiddie tax)
- Special requirements for Form 1040-NR

Income

- Taxability of wages, salaries and other earnings
- Interest Income
- Dividends and other distributions from mutual funds, corporations, and other entities
- Rental income and expenses
- Gambling income and allowable deductions
- Tax treatment of forgiveness of debt
- Tax treatment of a U.S. citizen/resident with foreign earned income
- Other income (e.g., scholarships, fellowships, Social Security benefits, barter income, independent contractor income, hobby income, alimony)
- Constructive receipt of income

Retirement income

- Basis in a traditional IRA (Form 8606)
- Comparison of traditional IRA and Roth IRA
- Distributions from qualified plans
- Excess contributions and tax treatment
- Prohibited transactions and tax effects relating to IRAs
- IRA conversions and recharacterizations
- Excess accumulations and required minimum distributions
- Loans from 401(k) plans and other qualified plans

Property, real and personal

- Capital gains and losses
- Basis of assets
- Basis of stock after stock splits and/or stock dividends
- Sale of property
- Sale of a personal residence
- Installment sales

Adjustments to income

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

Self-employment tax

Retirement deductions - (relating to IRAs)

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

Itemized deductions

- Medical and dental expenses
- Deductibility of various types of taxes
- Interest expense (e.g., mortgage interest, investment interest)
- Charitable contributions
- Nonbusiness casualty and theft losses
- Non-business bad debts
- Miscellaneous itemized deductions
- Employee travel, transportation and entertainment expenses
- Employee education expenses
- AGI limitations on itemized deductions
- Allowed itemized deductions for Form 1040-NR

Credits

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

Taxation

- Alternative minimum tax
- Credit for prior year minimum tax
- Premature distribution(s) from retirement plans
- Household employees

EXAMINATION TOPICS

Estimated tax
Injured spouse
Conditions for filing a claim
for refund

Minimization of taxes paid

Adjustments, deductions, and
credits
Retirement plans
Earned income credit
Education credits and tuition
deduction
Adoption credits
Use of capital gain rates
versus ordinary income
rates

Advising the individual taxpayer

Reporting obligations for
individuals
(e.g. sale of home)
Property sales (e.g. real and
personal such as homes,
stocks, and businesses)
Education planning (e.g. Hope
credit, lifetime learning
credit, IRC section
529 plans)
Estate planning (e.g. gift
versus inheritance, trusts,
family partnerships)
Retirement planning
(e.g. annuities, IRAs,
employer plans, early
retirement rules, required
minimum distribution)
Marriage and divorce
(e.g., pre- and post-nuptial
agreements, divorce
settlement)

Specialized returns

Estate tax

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

Gift tax

Gift-splitting
Annual exclusion
Unified credit
Effect on estate tax

Part 2 - Businesses

Business entities

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

Business income

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

**Business expenses, deductions
and credits**

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

Eligibility and deductibility of
general business credits
(e.g., welfare-to-work
credit, disabled access
credit, investment credit)

Business assets

Basis of assets
Disposition of depreciable
property
Like kind exchange

Retirement plans

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

Partnerships

Partnership income,
expenses, distributions,
and flow-through
Family partnerships
Partner's dealings with
partnership (e.g.,
exchange of property,
guaranteed payment,
contribution of property to
partnership)
Basis of partner's interest
Disposition of partner's
interest

Corporations in general

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

Forming a corporation

Services rendered to a
corporation in return for
stock
IRC section 351 exchange
Transfer of money or
property; receipt of money
or property in addition to
the stock of that
corporation
Mortgaged property
transferred

Exchange of property other than an IRC section 351 exchange
Controlled groups
Closely held corporations
Personal service corporations

S corporations

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

Farmers

Farm inventory
Depreciation for farmers
Various disaster-area provisions
Disposition of farm real estate

Analysis of financial records

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

Advising the business taxpayer

Estimated tax
Filing obligations
Depositing obligations (e.g. employment tax, excise tax)
Reporting obligations for businesses (e.g. IRC sections 1099, 1031 exchanges)
Record-keeping requirements (mileage log, cell phone usage)
Related party transactions
Definitions of business entities

Client habits (e.g. personal usage of business accounts)
Benefits and detriments of choosing each type of business entity
Advice on accounting methods and procedures
Transfer elections in or out of the business (e.g. contributed property, distributions)
Life cycle of the business (e.g. startup, decline)
Type of industry (e.g. personal service corporation)

Specialized returns

Trust and estate income tax

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

Exempt organizations

Filing requirements
Qualifications for tax-exempt status

Part 3 - Representation, Practice and Procedures

Becoming an enrolled agent

What constitutes practice before the IRS
Categories of individuals who may practice
Enrollment cycle
Period of enrollment
Effective date of renewed enrollment
Enrollment card or other credentials
How to appeal a denial of an application for enrollment
Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers before the IRS (Treasury Department Circular 230)

Requirements for enrolled agents

What information to be furnished to the IRS
When to advise a client about an omission or error on any return, document, or affidavit

Rules for employing or accepting assistance from disbarred or suspended persons and former IRS employees
Rules for restriction on advertising and solicitation and fee information
Concept of due diligence for return accuracy
Concept of conflict of interest
Rules for refund check negotiation
Requirements for tax shelter opinions
Standards for tax return positions and preparing returns
CPE requirements
Scope of authority - Tax court petitions
Effective records
Covered opinions
Tax shelters
Tax avoidance vs. tax evasion
Conference and practice requirements

Sanctions against enrolled agents

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

**Representation before the IRS
Power of attorney**

Acting in place of the taxpayer

EXAMINATION TOPICS

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

Building the taxpayer's case
Preliminary work

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

Taxpayer tax information

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

Taxpayer financial situation

Taxpayer's ability to pay the tax (e.g., installment agreements, offer in compromise)
General financial health (e.g. filed for bankruptcy, lawsuits, and garnishments)
Form 433A/B/F
Lifestyle and life issues of taxpayer

Cash flow and assets (Cash-T, receipts and disbursements)
Asset fair market value and associated liabilities
Third-party research (e.g. property assessment for municipal taxes; asset values, state and local tax information)

Supporting documentation

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

Legal authority and references

Internal Revenue Code
Treasury regulations
Revenue rulings
Revenue procedures
IRS notices
Case law
IRS publications
Private letter rulings
Form instructions
Internal Revenue Manual
Authoritative source material versus non-authoritative source material

Related issues

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

Freedom of Information Act requests

Representing a taxpayer in the Collection process

Extension of time to pay
Installment capability
Offer in compromise (e.g. doubt as to liability, collectibility or effective tax administration)
Miscellaneous options (e.g. collection statute end date, collection statute extension date, trust fund recovery penalties, backup withholding)
Collection appeals program (e.g. denial of installment agreements, discharge applications)
Collection due process (e.g. lien and levy)

Penalties and/or interest assessed

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

Representing a taxpayer in audits/examinations

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

Representing a taxpayer before Appeals

Protests
Right to appeal revenue agent findings

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

Higher levels of representation beyond the scope of EA representation

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

Completion of the filing process

Accuracy

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

Information shared with taxpayer

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

Non-taxable income (e.g. combat pay, inheritance)
Consequences of dishonesty

Concerning all tax preparers - regulations and sanctions

Definition of income tax return preparers

Penalties

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

Record maintenance

Length of time

Length of time to keep income and employment tax records

The components of the list (name, Social Security number, and type of return)

EITC due diligence requirements

Rules for returning a client's records and documents

Electronic filing

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

APPLICATION FORM AND INSTRUCTIONS

Application form and instructions

This section provides a printable copy of Form 2587 – Application for Special Enrollment Examination and instructions for completing the form.

Form **2587**
(Rev. June 2006)

Department of the Treasury-Internal Revenue Service

Application for Special Enrollment Examination

OMB Number
1545-0949

The data on this form may be completed and submitted on-line, by going to **www.prometric.com/irs**

Last name	First name	Middle initial
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Mailing address (If you live outside the United States, do not abbreviate Country name. Include Province and Postal Code if applicable)

City	State	ZIP (Postal) Code	Country	Province
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Primary telephone number	Secondary telephone number
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Date of birth (mm-dd-yyyy)

Preparer Tax Identification Number (PTIN) (See PTIN instructions on the next page for more information.)

(Foreign based test candidates who are not eligible for a PTIN should check N/A.) N/A

Instructions are on page 2

Instructions for Form 2587, Application for Special Enrollment Examination

General Information

Thomson Prometric will be administering the Special Enrollment Examination on behalf of the IRS. The examination is offered in three parts via computer at approximately 300 testing centers managed by Thomson Prometric. Examination candidates should go to www.prometric.com/irs for examination information, including:

- »» How to register, schedule and pay for an examination
- »» Examination locations
- »» Length of the examinations
- »» Examination content outline
- »» Carryover rules
- »» Test center regulations, including required identification

The fee is \$86.00 for each of the three parts of the examination. The examination fee is not refundable.

Preparer Tax Identification Number (PTIN)

Applicants based in the U.S. need a Preparer Tax Identification Number (PTIN) in order to register for any examination. Those candidates who do not have a PTIN should request one by completing a Form W-7P, Application For Preparer Tax Identification Number. You can apply on-line, by mail or by fax. The on-line process is the quickest method. To apply on-line go to www.irs.gov, click on "Tax Professionals" and then scroll down to "e-services - on-line tool for Tax Professionals".

Once you have registered for e-services, follow the instructions to have a PTIN assigned. For additional information regarding requesting a PTIN and for special rules for foreign based test candidates without a PTIN, please go to www.prometric.com/irs. Foreign based test candidates who are not eligible to obtain a PTIN should check the "N/A" box.

Registration, Scheduling and Payment

Before registering, scheduling and paying, you must complete Form 2587. Once Form 2587 is completed, you may register, schedule and pay for your examination with Thomson Prometric. Candidates should complete Form 2587 only one time under our new registration process. For example, if you register in 2006, but do not pass all parts of the examination, you will not have to complete Form 2587 in order to register for the examination in 2007.

There are three ways to register, schedule and pay for the Special Enrollment Examination:

1. To express register, visit www.prometric.com/irs and complete this form on-line. You can then immediately register, schedule and make payment on-line. This is the only way to complete the process in the same day.
2. You may fax this form to 1-800-347-9242. Wait one full calendar day and then either: log on to www.prometric.com/irs or call 1-800-306-3926, to register, schedule and pay.
3. You may mail this completed form to: Thomson Prometric, Attn: IRS Special Enrollment Examination, 1260 Energy Lane, St. Paul, MN 55108. Wait six to 10 calendar days, and then either log on to www.prometric.com/irs or call 1-800-306-3926, to register, schedule and pay.

Paperwork Reduction Act Notice

We ask for the information on this application to carry out the requirements of Title 31, Code of Federal Regulations, Subtitle A, Part 10, Section 10.4(a). We need the information to identify applicants for the Special Enrollment Examination. You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. The time needed to complete this form will vary depending on individual circumstances. The estimated average time is 6 minutes.

If you have comments concerning the accuracy of this time estimate or other suggestions, please write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224. DO NOT send the application to this address. Instead, mail the form to Thomson Prometric, Attn: IRS Special Enrollment Examination, 1260 Energy Lane, St. Paul, MN 55108.

Privacy Act Notice

Collection of this information is authorized by Section 330 of Title 31, United States Code, and Part 10 of the Title 31, Code of Federal Regulations. The primary use of this information is for the administration of the enrolled agent program, including administration of a written examination testing for special competence in tax matters. Information may be disclosed to contractors for administration of the special enrollment exam and for other tax administration purposes, to the Department of Justice for civil or criminal litigation or to seek legal advice, to Federal, state or foreign agencies or bodies for their investigation of violations of law or regulation, or for hiring or retaining an individual, or for granting a security clearance, license, contract, grant, or other benefit, or to other persons to obtain information not otherwise reasonably available and needed to administer the enrolled agent program. Furnishing the information on this form is voluntary but failure to do so may result in failure to grant you enrollment.

THOMSON
—★—
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1260 Energy Lane
St. Paul, MN 55108
800.306.3926

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See Page 2 for details.

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