

2018-19 Testing Period

# Basics of the Enrolled Agent Exam

TAX PREPARER LEARNING SYSTEMS, LLC

## Introduction and General Information

### What is an Enrolled Agent?

An enrolled agent is a person who has earned the privilege of representing taxpayers before the Internal Revenue Service by either passing a three-part comprehensive IRS test covering individual and business tax returns, or through experience as a former IRS employee. Enrolled agent status is the highest credential the IRS awards. Individuals who obtain this elite status must adhere to ethical standards and complete 72 hours of continuing education courses every three years.

Enrolled agents, like attorneys and certified public accountants (CPAs), have unlimited practice rights. This means they are unrestricted as to which taxpayers they can represent, what types of tax matters they can handle, and which IRS offices they can represent clients before. Learn more about enrolled agents in Treasury Department Circular 230

### Impact of Tax Reform on the Exam

For exams taken between May 1, 2018 — February 28, 2019, all references on the examination are to the Internal Revenue Code, forms and publications, as amended through December 31, 2017. Also, unless otherwise stated, all questions relate to the calendar year 2017. Questions that contain the term 'current tax year' refer to the calendar year 2017. In answering questions, candidates should not take into account any changes as a result of the Tax Cuts and Jobs Act of 2017 or any legislation or court decisions after December 31, 2017.

That means that the exam will not be impacted by the recent major tax reform until May of 2019 and beyond.

## To Become an Enrolled Agent

- Obtain a Preparer Tax Identification Number (PTIN) (if you do not already have one).
- Schedule an appointment online at [www.prometric.com/see](http://www.prometric.com/see) or 800-306-3926 and pay to take the examination.
- Prepare for the examination.
- Bring the required identification to the test center and take the scheduled examination.
- Upon successfully passing all three parts of the examination, complete the IRS Application for Enrollment to Practice Before the Internal Revenue Service (Form 23).

## The Exam Itself

### Overview

The examinations are closed book, meaning that you cannot have any reference material with you during the exam.

Examinations are administered by computer at Prometric test centers. Test centers are located in most major metropolitan areas.

You will be able to use an onscreen calculator during the examination. Prometric will provide you a handheld calculator to use during the examination. You are not allowed to bring your own calculator to the test center.

You will be provided with a packet of scratch paper and a pencil to use during the examination. You may not bring your own scratch paper or pencil.

The testing fee is \$181.94 for each part of the examination. Testing fees are generally not refundable or transferable.

Strict test center regulations are in effect while taking the exams.

### Examination Topics

The examination contains three parts. Each part contains 100 multiple-choice questions. There are 85 questions that are scored and 15 questions that are experimental and not scored. The length of each exam part is 3.5 hours (not including the pre-examination tutorial and post-examination survey). An onscreen timer is provided, showing the time remaining. The parts of the examination are:

#### **SEE1: Part 1 — Individuals**

1. Preliminary Work with Taxpayer Data – 17 questions
2. Income and Assets – 21 questions
3. Deductions and Credits – 21 questions
4. Taxation and Advice – 14 questions
5. Specialized Returns for Individuals – 12 questions

#### **SEE2: Part 2 — Businesses**

1. Business Entities – 28 questions
2. Business Financial Information – 39 questions
3. Specialized Returns and Taxpayers – 18 questions

#### **SEE3: Part 3 — Representation, Practices and Procedures**

1. Practices and Procedures – 25 questions
2. Representation before the IRS – 24 questions
3. Specific Types of Representation – 19 questions
4. Completion of the Filing Process – 17 questions

## Question format

Three different multiple-choice formats are used. Each format is shown in the following examples.

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

Supplemental wages are compensation paid in addition to an employee's regular wages. They do not include payments for:

- A. accumulated sick leave.
- B. a nondeductible moving expense.
- C. vacation pay.
- D. travel reimbursements paid at the Federal Government per diem rate.

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

## References

When studying for the examination, you may wish to refer to the Internal Revenue Code, Treasury Department Circular 230, IRS publications, and IRS tax forms and their accompanying instructions. Circular 230, current and prior year versions of IRS publications, forms, and instructions.

## Examination results

Candidates taking an examination between May 1, 2018 and February 28, 2019 will receive a test score immediately upon completion of the examination.

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

Scaled scores are determined by calculating the number of questions answered correctly from the total number of questions in the examination and converting to a scale that ranges from 40 to 130. The IRS has set the scaled passing score at 105, which corresponds to a minimum level of knowledge deemed acceptable by those persons who will be practicing before the IRS as an Enrolled Agent.

If you pass, the score report will show a passing designation. It will not show a score. All score values above passing indicate that a candidate is qualified — not how qualified. You will also receive diagnostic information which will indicate areas where you may wish to consider professional development. When you pass all three parts of the examination, you may apply for enrollment.

If you fail, your score report will show a scaled score between 40 and 104. You will also receive diagnostic information to assist you with future examination preparation. Diagnostic information will show an indicator of 1, 2, or 3 meaning:

**1 Weak.** Additional study is necessary. It is important for you to focus on this area as you prepare to take the test again. You may want to consider taking a course or participating actively in a study group on this topic.

**2 Marginal.** You may need additional study in this area.

**3 Strong.** You clearly demonstrated an understanding of this subject area.

If you fail any part of the examination, you must allow a 24-hour waiting period before scheduling a retest of that examination part

Candidates who pass a part of the examination can carry over passing scores up to two years from the date the candidate passed the examination.

### How to Study for the Exam

The Enrolled Agent Exam is challenging. The good news is that passing the exam is a real accomplishment and marks significant professional advancement.

We suggest devoting many hours to study before taking any part of the exam. An average test taker should plan to spend a minimum of 40 hours preparing for each exam part. Of course, some students can get by with less, and some will require much more. Amount of preparation for each student depends on the existing level of tax knowledge, and test taking ability.

When using our learning system to prepare for the exam, we suggest you use your study time as follows:

- Spend most of your time completing the Short Quizzes
  - Some students may prefer the more comprehensive Long Quizzes
- On a regular basis, use the EA Practice Exams to judge your progress and readiness.
  - Practice exams simulate the real exam. Your results, in a timed environment, will give you a sense of your readiness to take the exam.
- The study guides are available as a reference source. For most students, we do not recommend a full reading of the study guides.

After each attempt, you will receive an email with your results. You can print the results if you prefer a hard copy to study from.

Reviewing results from each unit will highlight your strengths and weaknesses, and help you determine areas that need strengthening.

## Guide to Tax Preparer Learning Systems, LLC Study Material

The exam consists of three parts:

1. Part 1 - Individuals
2. Part 2 - Businesses
3. Part 3 - Representation, Practices and Procedures

We have divided each part of the exam into 3 units (see Figure 1). See Appendix A for the topics covered in each unit.

The Tax Preparer Learning Systems, LLC Enrolled Agent Exam study materials consist of the following tools:

- Short Quizzes
  - 20 questions per attempt
- Long Quizzes
  - All questions (range) from the unit
  - The order of the questions is randomly selected for each attempt
- EA Practice Exams
  - 100 questions per attempt
  - Practice exams are timed to simulate the real exam
- Study Guides

**Figure 1. Guide to Study Material**

Tool	By Unit or Part	Questions Per Attempt	Timed	Printable Results Emailed to Student
Short Quiz	Unit	20	No	Yes
Long Quiz	Unit	Varies	No	Yes
EA Practice Exams	Part	100	Yes	Yes
<b>Study Guides –</b> Contain hundreds of pages of explanatory information. They are delivered electronically in printable PDF format. The Study Guides are available as a reference source. For most students, we do not recommend a full reading of the study guides.				

## Appendix A

### Topics Covered in Each Unit

(number of available questions for each unit)

Part 1 - Individuals	
Unit 1 (118 questions)	Preliminary Work)
	General Income
	Retirement Income
Unit 2 (128 questions)	Property, real and personal
	Self-employment issues
	Itemized Deductions
Unit 3 (92 questions)	Credits
	Taxation Issues
	Advising Taxpayer Various
	Estate Tax
	Gift Tax
	FBAR
Part 2 - Businesses	
Unit 1 (156 questions)	Businesses Intro
	Business Entities
	Partnerships
	Corporations General
Unit 2 (174 questions)	Forming a Corporation
	S Corporations
	Business Income General
	Business Expenses General
Unit 3 (154 questions)	Business Assets
	Financial Record Issues
	Advising Business Taxpayer Various
	Trust and Estate Income Tax
	Exempt Organizations
	Retirement Plans
	Farmers
Part 3 - Representation, Practices and Procedures	
Unit 1 (67 questions)	Practice Before the IRS
	Enrolled Agent Requirements
	Sanctionable Acts
Unit 2 (66 questions)	Rules and Penalties
	Power of Attorney
	Building a Case Issues
	Taxpayer Financial Situation Issues
	Business Entity Documents
	Legal Authority and Reference
	Representation Related Issues
Unit 3 (75 questions)	Collection Process Representation
	Penalties and Interest Abatement
	Audit Representation
	Appeals Representation
	Accuracy Issues
	Information Sharing Issues
	Record Maintenance
Electronic Filing	