



## FINAL EXAM

# Course # 641001 IRS Audits

based on the book:

### **Stand Up to the IRS**

by: Frederick W. Daily ( 2003 )



20 CPE Credit Hours  
Taxation

*This exam sheet is made available for your convenience in answering questions while offline. Please note that you will still need to enter your answers on the online exam sheet for grading. Instructions are provided at the end of this document.*

## **Chapter 1 - Inside the IRS: What You Need to Know About IRS operations**

1. The IRS is a branch of the US Treasury Department.

TRUE

FALSE

2. The IRS Examination unit is the police force of the IRS and its employees are called Special Agents

TRUE

FALSE

3. Major problems you may encounter when dealing with the IRS include:

Bureaucracy

Computers

Complexity

All of the Above

4. Your transcript of your accounts with the IRS is called a(n):

Master File Transcript (MFTRA)

Personal Account Statement (PAS)

Internal Revenue Master Account (IRMA)

None of the above

5. A tax return transcript furnished by the IRS is actually just a copy of your

tax return as filed.

TRUE

FALSE

6. The IRS writes the tax laws.

TRUE

FALSE

7. In 1913 the tax rate on individuals and corporations was:

0

0.01

0.05

None of the above

8. The IRS' job is to determine whether or not you obeyed the self-assessment principle by:

Reporting all your income

Stating the correct amount of taxes due

Paying the taxes due

All of the above

9. IRS Service Centers annually process about 200 million tax returns per year.

TRUE

FALSE

10. The IRS is characterized by low morale and high employee turnover.

TRUE

FALSE

11. Bureaucracy is a problem you will encounter with the IRS?

TRUE

FALSE

## Chapter 2 - Filing Tax Returns: If You Haven't Filed and Other Concerns

12. A TDI is an IRS search for a taxpayer to find out why he didn't file a tax return.

TRUE

FALSE

13. The IRS is most likely to notify a non-filer by:

Visiting your home

Visiting your place of employment

A written request from the Service Center

Serving court papers

14. The IRS has the power to prepare and file a tax return for you whenever you don't file.

TRUE

FALSE

15. If you're late filing, it's better to wait for the IRS to contact you before filing yourself.

TRUE

FALSE

16. If you owe taxes, a willful failure to file a tax return is a misdemeanor.

TRUE

FALSE

17. If your late tax return shows taxes due, you may also be charged:

a late filing penalty

a late payment penalty

interest

All of the above

18. Interest paid on a personal tax bill is deductible in the year in which it is paid.

TRUE

FALSE

19. The tax practitioner - client privilege prohibits the IRS from forcing the tax practitioner to disclose client information in criminal tax proceedings.

TRUE

FALSE

20. The IRS may not deny a refund if you file your return late.

TRUE

FALSE

21. The time limit for criminally prosecuting a non-filer is seven years.

TRUE

FALSE

22. Suggestion(s) for reducing your chance of being audited include:

Avoid filing Schedule C with a net loss

Prepare your tax return by computer

Live in a low audit area

All of the above

### Chapter 3 - Winning Your Audit

23. The statute of limitations starts to run only if and when you file your tax return.

TRUE

FALSE

24. As a rule, your tax return cannot be audited after three years from its original filing date (with a few exceptions).

TRUE

FALSE

25. The Market Segment Specialization Program (MSSP) focuses on specific industries or groups of taxpayers believed to be in significant noncompliance with the tax law.

TRUE

FALSE

26. The first step in dealing with an automated IRS adjustment notice is to go to court.

TRUE

FALSE

27. Do not bring anything to an audit not directly related to the year being

audited.

TRUE

FALSE

28. As a rule during an audit, you can't hurt yourself when your mouth is shut. Don't say more than is required.

TRUE

FALSE

29. Extension agreements should be limited to only specific items and should be no longer than six months.

TRUE

FALSE

30. If an audit is not going well, you should demand a recess to consult a tax professional.

TRUE

FALSE

#### **Chapter 4 - Appealing Your Audit Within the IRS**

31. Pros for appealing a tax audit include:

It's simple

It usually results in at least some tax savings

It delays payment of your audit tax bill

All of the above

32. When appealing an audit, it's impossible for an appeals officer to raise issues the auditor missed.

TRUE

FALSE

33. Penalties and interest do not continue to run during the appeals process.

TRUE

FALSE

34. The time limit for an appeal is within 30 days from the date you received the appeal notice letter.

TRUE

FALSE

35. The IRS is not legally required to let you have an administrative appeal after an audit.

TRUE

FALSE

36. The Freedom of Information Act entitles you to get copies of an IRS auditor's notes and workpapers showing how the auditor arrived at conclusions.

TRUE

FALSE

37. The original auditor generally plays no part in the appeals process other than the fact that their audit file is before the Appeals Officer.

TRUE

FALSE

38. Appeals Officers are given discretion in dealing with taxpayers that auditors do not have.

TRUE

FALSE



39. Appeals Officers often settle cases because they don't want the courts to set any precedents unfavorable to the IRS.

TRUE

FALSE

40. An Appeals Officer is likely to settle with you to:

Avoid the nuisance of going to court

Get you out of his hair

Because he has nothing better to do

None of the above

41. Your first request in a settlement negotiation should be for the IRS to drop any penalties.

TRUE

FALSE

42. Appeals often reduce liabilities, but seldom are auditors totally reversed.

TRUE

FALSE

43. It's wise to negotiate tax issues, not tax dollars, in an appeal.

TRUE

FALSE

44. If you don't appeal, you lose the option of going to tax court.

TRUE

FALSE

## Chapter 5 - Going to Tax Court: No Lawyer Necessary

45. Well over 90% of all cases settle before the trial.

TRUE

FALSE

46. The chances of getting a tax bill reduced in Tax Court or a settlement before trial is 50-50.

TRUE

FALSE

47. When a taxpayer sues the IRS in court, the burden of proof with regard to factual issues is on the IRS.

TRUE

FALSE

48. Only 5% of taxpayers win outright and eliminate the tax bill.

TRUE

FALSE

49. Small cases under \$50,000 heard in Tax Court are final and cannot be appealed.

TRUE

FALSE

50. Prepare for a small case in Tax Court as you would for an appeals hearing.

TRUE

FALSE

## Chapter 6 - When You Owe the IRS: Keeping the Tax Collector at Bay

51. Ninety days is the maximum time period that can be entered into the IRS computer to suspend the collection notice cycle.

TRUE

FALSE

52. At last report, the amount of income taxes owed but uncollected exceeded \$200 billion.

TRUE

FALSE

53. There is a formal process for submitting an Offer in Compromise (OIC)?

TRUE

FALSE

54. Generally the statute of limitations on the collection of a tax debt is 7 years.

TRUE

FALSE

55. Collection of a tax bill can be delayed by:

Questioning the accuracy of the tax bill

Submitting an Offer in Compromise

Filing for bankruptcy

All of the above

56. Whenever you pay the IRS, the agency records your bank account number in its computer.

TRUE

FALSE

57. An IRS Revenue Officer may try to collect a tax debt by:

Demanding that you sell assets

Requesting that you obtain a bank loan

Seizing your wages

All of the above

58. The advantages of an Offer in Compromise include:

Saving money

Postponement of wage and property seizures

Upon acceptance, recorded tax liens must be released within 30 days

All of the above

59. According to the IRS, the five common errors taxpayers make when submitting an Offer in Compromise includes:

Listing all tax liabilities

Offering the equity in all of your assets

Altering the form

None of the above

60. The moment you file for bankruptcy, the automatic stay stops all creditors and bill collectors, including the IRS.

TRUE

FALSE

## Chapter 7 - IRS Enforced Collection: Liens and Levies

61. No money is taken by the filing of a tax lien.

TRUE

FALSE

62. Although the IRS usually records a tax lien before levying on property, it does not have to.

TRUE

FALSE

63. You may neutralize a recorded federal tax lien by:

Paying the tax owed

Eliminating it in bankruptcy

Having the statute of limitation expire

None of the above

64. Legally, the IRS must notify you in writing and give you a chance to pay or prevent the lien being recorded before sending notice to the public records offices.

TRUE

FALSE

65. You do not have to voluntarily move out of your home after the IRS has sold it.

TRUE

FALSE

66. It is illegal to actively conceal assets from the IRS.

TRUE

FALSE

67. Assets exempt from IRS seizure include:

Wearing apparel

School books

Undelivered mail

All of the above

68. IRS policies discourage the seizure of retirement accounts and residences.

TRUE

FALSE

69. Once a levy on your income takes effect, it remains as long as:

Any part of the tax debt is unpaid

The statute of limitations on collections hasn't run out

You still work for the company

All of the above

70. You can stop or minimize a wage levy by:

Filing an offer in compromise

Changing employers

Filing for bankruptcy

All of the above

71. You may be able to avoid an IRS levy by:

- Transferring your assets
- Convincing the IRS that the levy would be uneconomical
- Showing that the levy would prevent you from working
- All of the above

### **Chapter 8 - The Taxpayer Advocate: A Friend at the IRS**

72. Taxpayer advocates have the power - mandated by Congress - to cut through the red tape and help you.

- TRUE
- FALSE

73. An IRS taxpayer advocate cannot help if:

- The problem doesn't directly affect your tax liability
- Your case is in the criminal investigation unit
- The IRS has classified you as a tax protestor
- All of the above

74. According to the IRS, significant hardship is:

- Earning less than \$10,000 per year
- Being unable to live in a decent home
- The inability to find a job within six months
- Not being able to provide the necessities of life for you or your dependents

75. Form 911 is used to request a taxpayer assistance order.

TRUE

FALSE

## Chapter 9 - Family, Friends, Heirs and the IRS

76. The only qualification for filing jointly is that:

The couple be residing in the same household as of December 31 of that year.

Both spouses have some form of income

The couple be legally married as of December 31 of that year.

None of the above

77. The innocent spouse rule is strictly applied.

TRUE

FALSE

78. The IRS cannot deny innocent spouse relief even if it concludes that the spouse had actual knowledge of the understatement and still voluntarily signed the return.

TRUE

FALSE

79. Alimony is tax deductible to the payer and taxable income to the recipient.

TRUE

FALSE

80. An informal oral agreement constitutes alimony that is deductible to the payer and taxable to the recipient.



TRUE

FALSE

81. The IRS is not bound by joint liability agreements specified in marital settlements.

TRUE

FALSE

82. The deductibility of child support payments is similar to that of alimony.

TRUE

FALSE

83. Past taxes can be collected from an estate or from heirs who inherit the property of an estate.

TRUE

FALSE

84. With regard to estate taxes, the IRS can seize money or property from the heirs and executors if the tax isn't paid, for up to ten years after the tax is determined.

TRUE

FALSE

85. The parent with the children the most days always gets the exemption.

TRUE

FALSE

86. Attaching copies of appraisals and other documents supporting valuations to the estate tax return may reduce your chances of audit.

TRUE

FALSE

## **Chapter 10 - Fraud and Tax Crimes: Do You Really Have to Worry?**

87. Fraud is defined as a willful act done with the intent to defraud the IRS.

TRUE

FALSE

88. Tax fraud comes with a 75% civil penalty.

TRUE

FALSE

89. Tax evasion is defined as intentional conduct to defeat the income tax laws.

TRUE

FALSE

## **Chapter 11 - Small Businesses / Self-Employed: When IRS Trouble Comes**

90. A worker is generally considered an employee if you establish set hours of work.

TRUE

FALSE

91. Food and laundry drivers are automatically considered employees.

TRUE

FALSE

92. The Trust Fund Recovery Penalty is 100% of taxes owed.

TRUE

FALSE

## Chapter 12 - Penalties and Interest

93. If you file late, but don't owe any taxes, you are still charged a late filing of return penalty.

TRUE

FALSE

94. If the interest on a tax bill is for a business related tax debt, designating a payment to interest might give you a deductible business expense on this year's tax return.

TRUE

FALSE

## Chapter 13 - Help Beyond the Book: Tax Professionals and Tax Information

95. An EA is licensed to practice before the IRS

TRUE

FALSE

96. IRS auditors and collectors prefer dealing with experienced tax professionals.

TRUE

FALSE

97. Unclefed.com features many tax links and articles.

TRUE

FALSE

## Chapter 14 - When You Owe State Income Taxes

98. State statutes of limitation vary from one to five years.

TRUE

FALSE

99. Many states will consider settling a tax bill for less than what is owed.

TRUE

FALSE

## Chapter 15 - The Taxpayers' Bill of Rights

100. You can't legally videotape or record telephone conversations with the IRS.

TRUE

FALSE

### Instructions for Submitting Answers Online:

- Sign In at [www.ApexCPE.com](http://www.ApexCPE.com)
- Click the "My CPE" tab at the top of the page.
- Click "My CPE Courses".
- Find the current CPE year and click "Go to My Courses".
- Find this course and click the "Go to Course" link.
- Step 2 on the Course Syllabus page is "Take the Final Exam". Click the "Begin Final Exam" link.
- Enter your answers on the online exam sheet.
- Click the "Grade Exam" button at the bottom of the page. Your exam will be graded

*automatically. If your score exceeds 70%, a "Create Certificate" button will display. Otherwise, you may continue to retake the exam until you pass.*

- *A short evaluation page will display. Please provide your feedback for the course.*
- *Once the evaluation is complete, click the "Submit Evaluation & Create Certificate" button at the top of the page.*
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or send an email to [support@apexcpe.com](mailto:support@apexcpe.com)**

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