



FINAL EXAM

Course # 671001 A Guide to Tax Resolution: Solving IRS Problems

based on the electronic .pdf file(s):

A Guide to Tax Resolution: Solving IRS Problems

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pages



12 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 0 - Course Material

1. The specific responsibility of the IRS has been divided into:

- Four operating divisions
- Four operating territories
- Six areas of responsibility
- Eight area divisions

2. The territory managers are responsible for:

- Tax resolution
- Criminal investigation
- Day-to-day operations
- Collection enforcement

3. What is the current mission of the IRS?

- To collect the proper amount of tax revenue
- To improve the quality of service at the least cost
- To provide the American taxpayers top quality service
- To increase the pressure against all tax payers to comply with the new tax Codes

4. The taxpayer's advocate is authorized to:

- Contest the taxpayer's liability
- Act as a substitute for an administrative review procedure
- Provide the taxpayer with an easy inexpensive way to resolve disputes
- Act as a liaison with the judicial review procedure

5. The Freedom of Information Act is used to assist:

- The government in assessing penalties
- In disclosing the information the IRS uses to assess taxes, penalties and interest against a taxpayer's tax liability
- The government in accruing taxpayer information
- In disclosing tax violations incurred by individuals

6. Which of the following is NOT true about unfiled tax returns?

- Failure to file tax returns may be construed as a criminal act by the IRS
- Failure to file tax returns can be punishable by a maximum of two years in jail for each year not filed
- Filing unfiled returns brings the taxpayer 'Current'

A settlement cannot be negotiated with the IRS until the taxpayer becomes current.

7. Offers in compromise do NOT:

Allow the taxpayers who do not agree a chance to have the amount assessed reconsidered

Allow the taxpayer a fresh start

Allow taxpayer to compromise all back and future tax liabilities

Allow federal tax liens to be released on the acceptance of an acceptance of an offer by the IRS

8. A reasonable cause to file for a penalty abatement does NOT include:

Prolonged unemployment

Business failure

Bankruptcy filing

Major illness

9. From the date of assessment to collect taxes, penalties, and interest the IRS has:

Ten years before expiration of the collection statute

Two years before expiration of the collection statute

Five years before expiration of the collection statute

Fifteen years before expiration of the collection statute

10. As a rule the best objective way to select a professional to represent you before the IRS is:

The size of a company and the number of employees and staff on payroll

The firm's tax record of wins before the IRS

The listing in the yellow pages

The dollar amount the company spends on radio and TV commercials

11. In an out-of-court settlement the most costly representation is usually a(n):

Enrolled Agent

Tax Resolution Specialist

Certified Public Accountant

Tax Attorney

12. The IRS must assess tax and apply penalties after a return has been filed within:

Five years

Three years

Ten years

Seven years

13. The ten year statute of limitations for the IRS to collect taxes only applies to:

Tax payers who did not file tax returns

Taxpayers who filed fraudulent returns with intent to evade taxes

- Taxpayers who filed returns but failed to pay due taxes
- Taxpayers who attempted to defeat or avoid paying the tax

14. The first step in the collection process is for the IRS to:

- Make an assessment against a taxpayer
- Seize assets owned by delinquent taxpayers
- File a law suit against the delinquent taxpayer
- Suggest a proposed installment agreement

15. If a tax liability is paid in full or is no longer legally enforceable because of the ten-year statute of limitations having expired, the IRS must:

- Issue a certificate of release of any liens no later than 90 days later
- Issue a certificate of release of any liens no later than 60 days later
- Issue a certificate of release of any liens no later than 45 days later
- Issue a certificate of release of any liens no later than 30 days later

16. When a financial institution receives a tax levy from the IRS on a bank account it cannot release the money, unless otherwise notified by the IRS, until:

- 21 days after the levy has been served
- 31 days after the levy has been served
- 51 days after the levy has been served
- 61 days after the levy has been served

17. A powerful tool used by the IRS to collect taxes owed through a taxpayer's employer is:

- A salary levy
- Wage garnishment
- Payroll seizure
- Tax lien

18. If the IRS files a substitute for return (SFR) tax return for you it will be in the best interest of the government giving your deductions only for

- Your spouse and children exemptions
- Standard deductions and one personal exemption
- Interest and taxes on your home
- Cost of any stocks or real estate sales

19. In order to qualify for a payment plan with the IRS needed actions include:

- Not disclose all assets including cash and bank accounts
- No disclose any money market or brokerage accounts
- To file all back tax returns
- To have equity in a retirement account from which you can borrow or liquidate

20. Installment agreement payments cannot be made by:

- Personal or business check

- Money order or cashier's check
- Payroll deductions or electronic transfer
- Mailing in cash

21. Failure to make payments on an agreed installment plan will normally:

- Suspend the agreement
- Default the agreement
- Result in it being renegotiated
- Deem it as "un-collectible".

22. _____ is NOT one of the reasons why the IRS closes your case as "uncollectible":

- Collection would cause an undue hardship for the taxpayer, leaving him or her unable to meet necessary living expenses
- Death of a taxpayer with significant estate
- Inability to locate the taxpayer's assets
- Inability to contact a taxpayer

23. The IRS will NOT close your account as uncollectible if:

- The taxpayer has disposable income
- Bankruptcy or suspension of corporate business activities and no remaining assets
- Special action, such as with the accounts of military personnel in a combat zone
- The taxpayer files bankruptcy

24. The decision to place an account in a currently not collectible (CNC) status is:

- Not based on factors such as health and age
- Determined by a revenue officer and an automated collection system (ACS) that bases it on the collection information submitted by you
- Not based on collection information statements that are less than 12 months old
- Based on a decision as to OIC.

25. How does an Offer in Compromise benefit the taxpayer?

- It allows the taxpayer up to 50 percent release of all federal liens
- It allows for disagreements with the IRS as to the amount of tax owed by the taxpayer
- It allows the taxpayer a fresh start
- It allows for 80 percent of all back tax liabilities to be settled by an OIC

26. All taxpayers who submit an offer in compromise must pay a fee of:

- \$186.00
- \$100.00
- \$ 50.00
- \$200.00

27. If an application for an offer in compromise is submitted with a check returned for insufficient

funds the IRS will:

- Suspend the offer in compromise application
- Return the application to the taxpayer without any further consideration
- File the application as uncollectible
- Submit the application for a collection due process hearing

28. The IRS will

- Accept all offers in compromise regardless of the taxpayers financial situation
- Accept offers in compromise from taxpayers with equity in assets
- Allow for any disagreement with the IRS as to the amount of taxes that are owed by the taxpayer
- Exempt most hardship cases from paying the application fee if their income is at least ten percent above the poverty level

29. Which of the following statements is TRUE?

- The taxpayer may keep refunds during the period of an OIC.
- Once rejected the IRS, the taxpayer may not resubmit the OIC with different information.
- The IRS will release the lien only when all of the OIC terms are satisfied.
- The taxpayer may continue to contest the tax liability after an OIC has been accepted by the IRS.

30. If the IRS does NOT accept an offer in compromise:

- The offer in compromise application will be returned without further consideration
- The taxpayer will not be allowed another opportunity to submit additional information
- The taxpayer will not be advised of the reasons behind the IRS decision
- It is because the taxpayer failed to submit additional financial documentation to assist the IRS reviews.

31. If an offer in compromise is being considered:

- Interest will not continue to accrue
- Penalties will not continue to accrue
- Interest will continue to accrue only after the date of acceptance of the offer in compromise
- Interest will not accrue on the taxpayer's acceptance of an offer in compromise from the date of the acceptance or until paid in full

32. If a taxpayer defaults on an offer in compromise the IRS will:

- Immediately file suit to collect the entire unpaid balance of the OIC
- Immediately file suit to collect the original amount as liquidating damage
- File suit or levy to collect the original amount of the tax liability without further notice
- Do any of the above actions

33. Collection Information Statements (CIS) submitted with an offer in compromise should reflect information no older than:

- The prior nine months

- The prior six months
- The prior twelve months
- The prior fifteen months

34. For offer purposes, assets are valued at:

- Quick Sale Value (QSV)
- Fair Market Value (FMV)
- Net Realizable Equity (NRE)
- Forced Sale Value (FSV)

35. Future income is defined as an estimate of the taxpayer's ability to pay based on an analysis of gross income less:

- Ten percent
- Equity in any fixed assets
- Necessary living expenses based on a National Standard
- Highest earning averaged over the past five years

36. An offer may be rescinded or set aside if:

- The taxpayer knew the facts to be false
- The offer in compromise constitutes fraud
- The offer in compromise was based on false representation
- The offer in compromise contained a mutual mistake as it related to a material fact

37. A proposal to compromise the balance of an accepted offer must rest on:

- Effective Tax Administration (ETA), Doubt as to Liability, and Doubt as to Collectibility (DATC)
- Mutual consent of both parties
- A renegotiation of terms
- A defaulted offer

38. The consideration of a proposal by the office of jurisdiction that originally accepted an offer in compromise will depend on:

- If there is doubt about the amount of the assessed tax
- If it is in the best interest of the government
- If the taxpayer failed to submit reasonable documentation to verify his/her ability to pay the tax due
- If the taxpayer failed to submit a collection information statement with all the appropriate attachments

39. Which of the following statement is FALSE regarding the Tax Increase Prevention and Reconciliation Act (TIPRA) of 2005?

- This Act applies only to an offer in compromise (OIC) received on or after July 16, 2006
- If the IRS does not act within one year of a submitted OIC, then the IRS must accept the OIC.
- Under this Act, taxpayers must pay 20% of the offered amount if they plan to make a lump sum payment
- Under this Act, if the IRS does not act within two years of a submitted OIC, then

the IRS must accept the OIC

40. Your offer in compromise must include a application fee and a current:

- Tax return that was currently filed
- Letter requesting an appeal
- An estimate of required living expenses
- Collection Information Statement

41. Which one of the following is NOT true regarding OIC?

- Your offer must include the \$200 application fee and a completed Form 656-A
- Your offer must include the \$186 application fee or a completed Form 656 if you are requesting an exception of the fee because of your income
- Your offer must include your 20% down payment for Lump Sum Cash Payment or a completed Form 656 if you are requesting an exception of the 20% down payment because of your income
- You must include your first payment of your Periodic Payment offer (Short Term or Deferred) if you are requesting an exception of your initial periodic payment because of your income

42. If an authorized representative is preparing your official offer in compromise you must also include:

- His/her social security number
- His/her business license number
- A completed Form 2848 or 8821
- His/her resume

43. Payment option 1 on Form 656 requires _____ of the total offer amount to be paid with the offer and the remaining balance paid in _____ or fewer payments.

- 10%, 5
- 20%, 5
- 5%, 10
- 20%, 3

44. If you do not have the cash to pay your offer in compromise immediately you should first:

- Consider filing for bankruptcy
- Consider selling assets
- Consider defaulting on the tax payments
- Consider way to prolong or evade payment

45. Your check or money order for the application fee with each OIC should be made payable to:

- United States Treasury
- The Franchise Tax Board
- The IRS
- State Equalization Board

46. In order to avoid defaulting an offer in compromise once it has been accepted by the IRS, taxpayers must remain in compliance in the filing and payment of all required taxes for a period of:

Three Years or until the offered amount is paid in full

Seven Years or until the offered amount is paid in full

Five Years or until the offered amount is paid in full

Ten Years or until the offered amount is paid in full

47. If at any time you feel you need help in resolving a tax problem that has not been resolved through normal channels or you are experiencing significant hardship then you may contact:

Taxpayers Advocate Service

A CPA

An enrolled agent (EA)

An attorney

48. An offer in compromise will NOT be accepted if the reason for filing is that:

You believe that you do not owe the tax

You have insufficient assets and income to pay the full amount

You attempt to delay or avoid the tax due payment

Your payment of the full amount would cause an economic hardship and would be unfair and un-equitable

49. An innocent spouse who elected to file a joint return and has no reason to know of the understatement of taxes is entitled to:

Legal representation

Relief of liability under the innocent spouse rule

An offer in compromise

A tax abatement

50. Chapter 7 bankruptcy will NOT discharge

Tax penalties for non-filing

Late payments

Penalties for negligence

Taxes that have been due for two years

51. Chapter 13 bankruptcy can allow you to pay your due taxes over a period of:

Five to seven years

Nine to twelve years

Three to five years

Seven to nine years

52. Once you file bankruptcy the IRS must

Negotiate an offer in compromise

Assess the amount due for penalties and late charges

Stop all further collection activities

Deny all other methods of tax resolution

53. The location of your audit is a good indication of the severity of the IRS audit. The IRS cannot audit you

- By mail
- By email
- In their offices
- In your office or home

54. Under an abatement the IRS can NOT cancel:

- All or part of accrued penalties
- All or part of accrued interest
- The underlying tax liability
- The interest, penalty, and tax liability

55. The best course of action for a taxpayer who does not agree with the IRS's decision to file a levy or seizure against his or her assets may be to

- File for an abatement to cancel underlying tax liabilities
- Hire an attorney to stall the levy or seizure
- File for bankruptcy to protect his or her assets
- File a collection appeal

56. If you owe the IRS more than you can pay, short of bankruptcy you have the following:

- Two option: monthly payments or being declared currently not collectible
- Alternatives to make monthly payments based on your future income
- The option of making an offer in compromise
- Three options: have your account declared currently not collectible, become a candidate for an installment agreement and make monthly payments, and become a candidate for an offer in compromise

57. Taxpayers who have not resolved their tax problems through the normal channels may request help from the:

- Commission of the Internal Revenue Service
- Taxpayers Advocate Service
- Federal District Court
- US Department of Health and Human Services

58. A large tax liability is mostly caused by:

- Payroll tax liabilities
- Corporate tax liabilities
- Unpaid withholding tax liability
- Federal excise tax liability

59. Under the Privacy Act of 1974 and the Paperwork Reduction Act of 1995 the IRS is

- Not required to tell the taxpayer why it wants information
- Not required to tell a taxpayer what its legal authority is in asking for information
- Not required to tell the taxpayer what happens if they do not submit the requested

information

Not allowed to let the taxpayer decline answering a question

60. A married couple owing the same joint income tax liability may file _____ Form 656 listing the joint liability with an application of _____.

Two, \$372.

One, \$186.

One, \$372.

Two, \$186.

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