

SEE

Special Enrollment Exam

Part 1 - Individuals

2020 Study Questions



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Introduction

The Phoenix Tax Group Guarantee

We have been successfully preparing tax practitioners to pass the Special Enrollment Exam for over 20 years. Practitioners who have used our study materials, study strategies and have put in the time and effort have had over a 90% passing rate.

30 Day Money-Back Guarantee

If you are not satisfied with any of our products, you can return them for a full refund, excluding shipping and handling charges. A refund must be requested within 30 days of purchase, and all hardcopy materials must be returned in the original box. No credit will be given for any materials marked on, missing or damaged in any way. To request a refund, fill out the Refund Request form below.

Pass Guarantee

1. The Pass Guarantee applies only to products designated as "Packages."
2. To receive a refund, you must have taken and failed a test/exam twice.
3. You must provide your failed scores for both failed exams by filling out the Refund Request form below. This must be done within 30 days of the second failed exam.
4. Hard copy materials must be returned within 30 days of the second failed exam.
5. If you purchased Enrolled Agent study materials together in a three part package, refunds will be pro-rated for the part being returned.
6. The refund will only apply to the person who purchased the study materials from The Phoenix Tax Group. The refund policy does not apply to companies purchasing study materials for employees.

Instructions

To ensure proper credit, please fill out our online refund request form.

<http://www.phoenixtax.com/about/refunds>

Course Objectives

These study materials are designed to prepare students to pass the IRS Special Enrollment Examination the first time they take the exam. After completing your study, you should have the tax knowledge needed to pass the exam.

The material is covered at an intermediate level. It is helpful if the student has had some beginning level courses relating to tax law and at least a year of income tax preparation experience.

You will be learning tax law from the study cards, and exercising your understanding with test questions from previous years' exams, in addition to our own questions that are similar to questions on the exam. The questions are all multiple choice (no true/false). All of the questions and study material have been updated to 2019 tax law. The 2020 exam (July 1, 2020 - February 28, 2021) will cover the federal tax law as of December 31, 2019.

Note: All references on the examination are to the Internal Revenue Code, forms and publications, as amended through December 31, 2019. Also, unless otherwise stated, all questions relate to the calendar year 2019. Questions that contain the term 'current tax year' refer to the calendar year 2019.

The material is broken down into three parts similar to the parts on the exam. Part 1 discusses individual income tax law, Part 2 discusses sole proprietorship and partnership, corporation (including S corporation), fiduciary, estate, and trust tax law and tax-exempt organizations, and Part 3 discusses practitioner ethics, recordkeeping, IRS tax examination, appeals, and collection procedures, practitioner rules and penalties, and research materials. Because we categorize the questions and study cards, all questions and content pertaining to a specific tax law are grouped together, even though they might be asked in more than one part of the exam.

We feel we have the best and most comprehensive enrolled agent exam preparatory materials available. However, we are always looking for ways to improve. We would appreciate it if you would take a moment to complete our online evaluation at [http:// www.phoenixtax.com/ea_survey](http://www.phoenixtax.com/ea_survey).

If you have any questions regarding any of the questions in this book, please email us at **support@phoenixtax.com**. Do not call our 800 number.

Good luck on the exam.

How to Prepare for the Exam

The following is a set of guidelines for preparing for the exam:

1. We recommend that you study a minimum of 100 to 120 hours total for all three parts of the exam. For Part 1, we recommend 35-45 hours of study. For Part 2, we recommend 45-60 hours of study. For Part 3, we recommend 20-25 hours of study. Break up your study time. Do not try to study 3 or 4 hours at a time. Most people's comprehension level starts to fade after an hour. Unlike other exam prep courses, we have designed our materials to take with you wherever you go. Use your spare time during the day to study the cards. You will be surprised how much you can absorb by studying in intervals of 15 to 30 minutes. Read the study cards before proceeding to the questions in the book.
2. DO NOT rely on your tax experience to pass this exam. It has been our experience that people with limited tax experience (one year or less) have a far better success rate on this exam than people with many years of tax experience. The reason is that preparers with years of experience tend to rely on their practical knowledge of taxes. This exam tests on theory, not practical experience. The IRS is primarily interested in your ability to understand the tax law and to properly and accurately determine taxable income (i.e., figuring basis in an asset to determine gain, what income is taxable, what deductions are allowed, etc.).
3. You can now use a calculator to do the computational questions. Prometric will provide you with a hand-held calculator. You cannot bring your own calculator.
4. Be familiar with the tax forms and the filing dates for those forms. There are quick reference cards for tax forms at the bottom of each card deck. Also, be familiar with the different penalties that can be assessed against a taxpayer and a tax preparer.
5. The exam will test on a specific tax law in more than one part. For example, questions pertaining to property basis or retirement plans will be tested in both Part 1 and Part 2; questions pertaining to recordkeeping in Part 1 and Part 2 could be tested in Part 3; taxpayer penalties could be tested in all three parts. Therefore, we strongly recommend you to take the exam in the following order. Take Part 1 first, Part 2 second and Part 3 last. You should also take all three parts of the exam as close together as possible.
6. You must have a positive attitude toward this exam. If you do not think you can pass this exam, you won't. Fifty percent of preparing for this exam is being mentally prepared.

About the Computer Based SEE Exam

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

Testing Dates

The 2020 SEE examination begins May 1, 2020 and examinations will be offered continuously through February 28, 2021. The exam is in three parts. The three parts **DO NOT** have to be taken at once. You can take one part at a time. Once you have taken and passed one part, you have two years from the date of passing that part to take and pass the other two parts.

Testing Fees

The exam costs \$182 per part.

Exam Questions

Each part of the exam has 100 questions. All questions are weighted equally.

Time Limited for the Exam

You are given 3.5 hours to complete each part of the exam. The actual seat time is 4 hours to allow for a tutorial at the beginning and a survey at the end.

Examination Results

The exam is graded on a scale of 40 - 130 with 40 being the lowest score and 130 being the highest score possible. You must have a score of 105 or better for each part of the exam to pass. You will receive your scores immediately after taking the exam.

Passing Score

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

Failing Score

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. 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.
2. Marginally below the minimally acceptable score. You should study this topic in detail as you prepare to take the test again.
3. At or above the minimally acceptable score. Be sure to review this topic as you prepare to take the test again.

Experimental Questions

The examination may include some experimental questions that will not be scored. If present, they are distributed throughout the exam and will not be identified as such. These are used to gather statistical information on the questions before they are added to the exam as scored items. These experimental questions will not be counted for or against your final score.

Obtain a PTIN

You must have a PTIN to sign up for the Enrolled Agent Exam. Chances are you already have your PTIN, but if you do not, you will have to get one. The IRS Tax Professional PTIN Sign-up System is available at www.irs.gov/ptin. Once online, you will need to:

Create Your Account. Provide your name, email address, and security question information. The system will then email your temporary password, which you will change when you go back to enter your information in the PTIN application.

Apply for Your PTIN. Complete the online application by providing personal information, information about your previous year's tax return, professional credentials, and more.

Get Your PTIN. Your PTIN will be provided online.

It takes about 15 minutes to sign up online and receive your PTIN. If you opt to use the paper application, Form W-12 IRS Paid Preparer Tax Identification Number (PTIN) Application, it will take 4-6 weeks to process.

PTIN renewal. PTINs must be renewed annually by December 31 for the following year. Renewal Open Season usually begins each year in mid-October.

Registering and Scheduling an Examination Appointment

Registration Process

You can register and schedule the exam using one of the three following options:

A. Online—www.prometric.com/see

B. By phone

1. Call Prometric at 800.306.3926

C. By mail

1. Mail your completed Form 2587 to:

Prometric

Attn: IRS Special Enrollment Examination

7941 Corporate Drive

Nottingham, MD 21236

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

Scheduling an 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 up to four times each during the testing period (May 1, 2020 to February 28, 2021). Once your registration has been processed, you can schedule an examination appointment at any time online at www.prometric.com/see 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 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. In the box titled Do More, click on "Continue" and select your preferred test location. Most locations are open on Saturdays and some locations are open on Sundays and evenings.

Testing Fees

The testing fee is \$182 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.

Rescheduling Your Appointment

If you need to reschedule an examination for another date, time or location, you must contact Prometric. Rescheduling fees will apply as follows:

- No fee if you reschedule at least 30 calendar days prior to your appointment.
- \$35 fee if you reschedule five to 29 calendar days before your appointment.
- Another \$182 full examination fee if you reschedule less than five calendar days before your appointment date.

Chapter 1. Income Tax Return

Filing Requirements

U.S Citizens and Residents Living Outside the U.S.

1. In which of the following situations is NO return required to be filed?

- A. Single, filing status single, under age 65, gross income \$12,500.
- B. Married, joint filing status, both spouses under age 65, gross income \$25,000.
- C. Single, filing status single, age 70, gross income \$13,000.
- D. Married filing separately, age 65, gross income \$5,000.

ANSWER: C

Taxpayers, under age 65, filing as single must file a tax return if their gross income is at least \$12,200.

Married taxpayers, both under 65, filing jointly must file a tax return if their gross income is at least \$24,400.

Taxpayers, age 65 or older, filing single must file a return if their gross income is at least \$13,850.

Married taxpayers, any age, filing separately must file a return if their gross income is at least \$5.

2. Under which circumstance would a self-employed taxpayer filing single and under age 65 have to file a tax return?

- A. The taxpayer had gross income from self-employment of \$400 and expenses of \$100.
- B. The taxpayer had gross income from self-employment of \$4,000 and expenses of \$3,000.
- C. The taxpayer had gross income from self-employment of \$11,000 and expenses of \$12,000.
- D. Both B & C.

ANSWER: D

A taxpayer must file Form 1040 and Schedule SE (Form 1040), Self-employment Tax, if net earnings from self-employment were \$400 or more.

For self-employed taxpayers, gross income includes the amount on line 7, gross income, of Schedule C (Form 1040). Gross income on line 7 of Schedule C is figured by taking gross receipts (net sales) and subtracting cost of goods sold. A single taxpayer under age 65 must file a tax return if his or her gross income is at least \$12,200.

Dependents

3. A taxpayer, under age 65, who can be claimed as a dependent on another person's tax return must file a tax return if the dependent taxpayer has unearned income of more than

- A. \$950
- B. \$1,100
- C. \$4,200
- D. \$12,200

ANSWER: B

A taxpayer, under age 65, who can be claimed as a dependent on another person's tax return must file a tax return if the dependent taxpayer has unearned income of more than **\$1,100**.

Chapter 1. Income Tax Return

4. Which of the following taxpayers, who could be claimed as a dependent, must file a tax return?

- A. Dependent taxpayer, blind and age 25, filing status single, unearned income of \$2,400
- B. Dependent taxpayer, age 66, filing status single, unearned income of \$1,800
- C. Dependent taxpayer, age 69 and blind, filing status married, earned income of \$13,000
- D. Dependent taxpayer, age 20, filing status single, earned income \$12,500

ANSWER: D

A dependent must file a tax return if any of the following apply:

Single Dependent

- Unearned income was more than \$1,100 (\$2,750 if age 65 or older OR blind; \$4,400 if age 65 or older AND blind).
- Earned income was more than \$12,200 (\$13,850 if age 65 or older OR blind; \$15,500 if age 65 or older AND blind).

Gross income was more than the larger of:

1. \$1,100 (\$2,750 if age 65 or older OR blind; \$4,400 if age 65 or older AND blind), or
2. Earned income (up to \$11,850) plus \$350 (\$2,000 if age 65 or older OR blind; \$3,650 if age 65 or older AND blind).

Married Dependent

- Gross income was at least \$5 and spouse files separate return and itemizes deductions.
- Unearned income was \$1,100 (\$2,400 if age 65 or older OR blind; \$3,700 if age 65 or older AND blind).
- Earned income was more than \$12,200 (\$13,500 if age 65 or older OR blind; \$14,800 if age 65 or older AND blind).
- Gross income was more than the larger of:
 - a. \$1,100 (\$2,400 if age 65 or older OR blind; \$3,700 if age 65 or older AND blind) or,
 - b. Earned income (up to \$11,850) plus \$350 (\$1,650 if age 65 or older OR blind; \$2,950 if age 65 or older AND blind).

Nonresident Aliens

5. A nonresident alien can claim the following itemized deductions EXCEPT:

- A. State and local income taxes
- B. Casualty and theft losses attributed to a federally declared disaster.
- C. Charitable contributions to foreign organizations
- D. Noncash contributions.

ANSWER: C

Resident and nonresident aliens can claim similar itemized deductions on their U.S. tax returns. However, nonresident aliens generally can claim only deductions related to income that is effectively connected with their U.S. trade or business. These deductions include state and local income taxes. A nonresident alien can deduct charitable contributions to U.S. organizations and casualty and theft losses even if they do not relate to his or her effectively connected income. Use Schedule A (Form 1040NR) to claim itemized deductions.

Extensions of Time to File

6. Which of the following statements regarding extensions of time to file is correct?

- A. An automatic 2-month extension can be obtained by filing Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return.
- B. An additional automatic 4-month extension can be obtained by filing Form 4868, Application for Additional Extension of Time To File U.S. Individual Income Tax Return.
- C. A penalty for late payment may still be charged even if an extension is granted.
- D. An extension request for a 2019 individual income tax return must be filed by August 15, 2020.

7. All of the following concerning extension of time to file are correct EXCEPT:

- A. An automatic 6-month extension can be requested by filing Form 4868.
- B. If the required payment is made by credit card by the regular due date for the return, the return can be filed any time before the 6-month extension period ends.
- C. Requesting an automatic 6-month extension before the regular due date for the return postpones the requirement to make payment of any tax due.
- D. An automatic 6-month extension can be requested by using IRS e-file (electronic filing).

ANSWER: C

An automatic 6-month extension of time to file an individual return can be obtained by filing Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return.

A penalty for late payment may still be charged even if an extension is granted.

An extension request for a 2019 individual income tax return must be filed by April 15, 2020.

ANSWER: C

A taxpayer may obtain an automatic 6-month extension of time to file a U.S. individual income tax return in one of the following ways:

1. Electronically file Form 4868, Application For Automatic Extension of Time To File U.S. Individual Tax Return, using tax software with a personal computer,
2. Pay all or part of the estimated taxes due using a credit or debit or by using the Electronic Federal Tax Payment System (EFTPS), or
3. File a paper Form 4868 by mail.

An extension of time to file is not an extension of time to pay. Taxpayer must make an accurate estimate of tax liability for that year and pay any amount due with Form 4868. If the taxpayer cannot pay the full amount of tax due, he or she can still get the extension. The taxpayer will owe interest on the unpaid amount.