

*The Enrolled  
Agents Exam:  
24 Tips for  
Passing the  
Exam the  
First Time!*



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An enrolled agent is an individual who is licensed to represent taxpayers before all administrative levels of the IRS. This privilege is reserved only for attorneys, CPAs, certain former IRS employees, and any other individual who passes the Special Enrollment Examination (SEE). Passing this exam is a significant step on the ladder to success and is an invaluable boost to one's career and self-esteem.

However, studying for and passing the exam can be a daunting task, but it need not be an impossible one. This article includes 24 tips for calming your nerves and approaching the exam in an organized and focused manner. But, when all is said and done, there is a direct correlation between your motivation and your score on the exam, and no set of study tips can substitute for adequate preparation.

The SEE, commonly referred to as the EA Exam, was administered by the IRS until 2005, at which time Thomson Prometric was selected as the exam vendor. The first exam under the new on-demand, three-part, computerized format was given in October 2006. The SEE is now a closed exam; test questions under the on-demand format are no longer available to the public, although copies of all questions for the open-exam period of 1999-2005 are available on the IRS website.

The examination is designed to demonstrate technical competence in tax matters for purposes of representing taxpayers before the IRS. The revised exam consists of the following three parts:

- Part 1 – Individuals
- Part 2 – Businesses
- Part 3 – Representation, Practice, and Procedure

Each part of the examination consists of 100 multiple-choice questions. The length of each part is 3.5 hours, plus an additional half-hour required for a computer tutorial and survey. Questions are in three possible formats: (1) direct questions; (2) incomplete sentences; and (3) "all of the following except" narratives. All three types of questions are in a multiple-choice format, with four possible answers for each question. Each part of the exam may be taken separately and on different dates.

Applicants passing a part of the exam may carry over a passing score for up to two years from the date of passing that part. Thus, a two-year clock starts ticking on the remaining parts of the exam once the first part is passed; such carryover credit is lost after the two-year window closes.

## ***Applying for the Examination***

Candidates may take each part of the exam up to four times during the 10-month window of May 1–February 28. The testing fee for each part of the exam is \$109. Candidates register online at [www.prometric.com/irs](http://www.prometric.com/irs) by clicking Register/Schedule an Examination. Candidates select an appointment time and a site for taking the exam during the registration process. Prometric has approximately 300 test sites in the U.S. For additional details, visit their website and click on Licensing Information Bulletin.

## ***IRS Study Materials***

Although there are no particular educational requirements for taking the exam, candidates are expected to answer basic tax questions at an intermediate level of knowledge equivalent to undergraduate courses. When studying for the examination, you may wish to refer to the Internal Revenue Code, Treasury Department

# Twenty-Four Study Tips

## Part 1 - Preparation Prior to the Examination

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**1. Know the Two Cardinal Rules of Studying - Rule 1:** There are absolutely no shortcuts to passing the SEE. **Rule 2:** Refer to Rule 1. You *must* have an organized approach. Plan to study at least 50 hours for each part of the exam, at a pace of at least 10 to 15 hours per week. Take plenty of notes (in *your own* words) that provide shorthand references to the tax law for the more important provisions. Leave time to take a practice exam at least two weeks prior to the exam to highlight weak spots. Past exams are available at [www.irs.gov](http://www.irs.gov), although these are in the old format. Still, they'll give you a feel for the types of questions (and time pressure) you'll likely see on the real thing. But remember, the entire exam is now multiple-choice; there are no true-false questions as was true on these old exams.

**2. Consider a Review Course** - There are several review courses, both self-study and live, devoted to the SEE. The advantage of such courses is that the authors have usually analyzed the past examinations and have organized the study material in a condensed manner for maximum coverage. In essence, you are paying for an organized approach to studying for the exam, and this may be of some value to you.

The National Society of Accountants offers study courses in various formats:

- [NSA Enrolled Agent Exam Self-Study Review Course](#) (Study for the EA exam on your own schedule.)
- [NSA Enrolled Agent Exam Live Review Course](#) (A very intensive live course, offered over three days prior to the Annual Meeting each August.)

**3. Don't Worry About the Math of Passing** - The grading procedure on the closed exam as described by Prometric is somewhat murky, as the raw score (number right out of total number of questions) will be converted to a scale between 40 and 130, with 105 set as a passing score per mandate by the IRS. Assuming this is a linear scale that starts at a score of 0, a passing score of 105 is 65 points above the lowest score, out of 90 total points. This seems to imply that a score of roughly 73 percent would be passing (65/90), but who really knows? For example, if the minimum score of 40 is given to all scores below a certain level (say, 30 percent), then the required percentage of right answers would decrease.

Under the old open IRS format of the exam, each part had 80 questions of varying point values that totaled 175 points. Parts 1 through 3 of the old exam had 20 true-false questions worth 1 point each, 25 non-computational, multiple-choice questions worth 2 points each, and 35 computational, multiple-choice questions worth 3 points each. Note that 60 percent of this 175-point total is 105 points. This appears to be the source of the 105 points on the new IRS-mandated scale, but the question is whether this scaled score implies a 60- or 70-percent minimum passing score.

The moral of the story? Don't worry about the possible scale. If you really work at it, you'll clear either hurdle.

**4. Think Like an Examiner** - Never lose sight of the purpose of the examination - to ensure that the successful applicant has demonstrated a minimum level of competence necessary to represent a taxpayer before the IRS. For that reason, expect the vast majority of the questions on the exam to test the basic fundamentals of taxation.

For example, the exam may not address the exotic details of a tax straddle, but you can certainly expect questions on the basic netting of capital gains and losses. Ask yourself what are some of the basic tax concepts that every practitioner should know, and make sure that you can answer those questions. These include such items as the basic corporate tax formula, the flow-through nature of partnerships and S corporations, the basic features of an IRA, and the distinguishing characteristics of deductions for and from adjusted gross income.

**5. Examine the Exams** - The more previous exam questions you review, the better. For one thing, the Prometric Licensing Information Bulletin (available at [www.prometric.com/IRS](http://www.prometric.com/IRS)) provides detailed lists of possible topics for each part of the exam (discussed below). These, by and large, mirror questions asked on previous exams under the old IRS format. True, there are some new topics, mainly related to client relations and audit and representation responsibilities, and we'll discuss this factor next. But you need to get a flavor of the questions and the depth of knowledge expected on the exam under the old format.

More importantly, such reviews will help you consciously and subconsciously prioritize your studying, because you'll begin to note those topics that appear time and time again on the exam. Again, the National Society of Accountants offers study courses in various formats that include hundreds of updated prior exam questions, as well as sample questions on new topics:

- [NSA Enrolled Agent Exam Self-Study Review Course](#) (Study for the EA exam on your own schedule.)
- [NSA Enrolled Agent Exam Live Review Course](#) (A very intensive live course, offered over three days prior to the Annual Meeting each August.)

The basic core knowledge required for tax return preparation and client representation has not changed; only the format of the exam has been tweaked. The taxation of sales and exchanges of property was extremely important on the old open exam, and will continue to be important on the closed exam, because that's a big part of practice. These "serial repeaters" occurred on past exams, not because the examiners were waiting for candidates to finally get them right, but simply because they were (and are) part of the minimum core of knowledge expected of an enrolled practitioner. By constantly repeating these questions, the IRS is telling you that they want you to know these things.

Although EAs are writing most of the exam questions these days, the questions will mirror what they deal with every day in practice. And remember, they are likely to examine the old exams when writing new questions as well. Given that all topics are not created equal, it may be useful to examine tendencies on the old exams under the IRS format that are publicly available. In performing this analysis, for example, the NSA EA Review Course divides prior open-exam questions on each of the three parts of the exam into approximately 150 different topics. These analyses provide some interesting insights. Appendix A discloses all of those topics on each part of the exam that appeared in at least seven of the last ten open exams. Note that most of these topics mirror the "think like an examiner" approach discussed earlier, in that most frequently-tested topics are fundamental staples of tax practice.

*A Word of Caution* – These lists were for exams prior to 2006, so don't forget that the tax law is constantly changing, and important new concepts will be tested regularly as well. Think Affordable Care Act!

**6. Don't Panic When Confronted With the "Softer" Practice Topics of the Closed Format** - Many candidates are somewhat anxious about the "soft" topics added when the exam went to a closed format. These include the following new major categories in the examination specification content outlines mentioned earlier:

Part 1:

- Preliminary Work to Prepare Tax Returns
- Tax Returns for Individuals, Taxpayer Data
- Minimization of Taxes Paid
- Advising the Individual Taxpayer

Part 2:

- Analysis of Financial Records
- Advising the Business Taxpayer

Part 3:

- Building the Taxpayer's Case: Preliminary Work
- Reviewing Taxpayer Information Before the IRS
- Representation
- Building the Taxpayer's Case: Reviewing the Financial Situation
- Building the Taxpayer's Case: Supporting Documentation
- Completion of the Filing Process: Accuracy
- Completion of the Filing Process: Information Shared With the Taxpayer

Incidentally, candidates for the SEE Exam are not the only ones panicking; those of us writing review courses are also trying to figure out just how the examiners can ask decent questions on some of these topics! But everyone needs to step back a minute, relax, and consider these factors:

- A close inspection of these categories reveals that, most likely, several of the questions can be answered with reference to basic knowledge on many of the technical topics studied for the exam. In most cases, any questions on minimization of taxes or advising taxpayers will invariably be offshoots of basic knowledge of the computation. For example, knowledge of the common adjustments and preferences for the alternative minimum tax would probably provide enough information to answer planning or interview questions on this topic. And knowing the five tests for dependency would probably be enough to answer any "taxpayer data" questions regarding exemption deductions.
- Many of the soft topics in Part 3 relate to taxpayer representation before the IRS, and will necessarily touch on a number of technical issues covered elsewhere in your basic studying. For example, the old exams included several questions on recordkeeping and document retention requirements, and these are probably relevant here as well.
- Knowledge of solid office tax practices may help you answer a number of the preliminary work and initial preparation questions. Many of these questions might be answered with knowledge of the typical client questionnaire completed at the beginning of an engagement, the client interview form, or the interview question portions of the typical tax preparation software package). Many professional organizations offer client checklists or office practice guides on their websites, and these might prove valuable in preparing for these types of questions.



- But what if they still ask a question on one of these topics and you have no idea what they are talking about? Here's where the scientific guess comes in. Seriously, if you are having problems with a question, other candidates are likely experiencing the same problem, and this may ultimately be reflected in the final scoring adjustments for that part of the exam. Remember, you don't have to outrun the examiners; you just need to keep pace with the other candidates!

**7. Crack Open the IRS Data Vault** - I know, I know. You purchased a review course to *avoid* opening all the IRS Forms & Publications. And most review courses promise that you won't need to open the package. But if you did not purchase a review course you *must* examine some of these materials, and even if you did purchase such a course there is still much to be gained by examining selected IRS materials. For one thing, many of the answers to questions are word-for-word from these publications, and your memory can surprise and delight you at times. Not all these materials are created equally, and some publications (such as Publication 17, Your Federal Income Tax) provide enough basic information to avoid the more tedious and detailed, specific-topic publications such as Publication 501, *Exemptions, Standard Deduction, and Filing Information*.

At a minimum, the following general publications, forms, and instructions should serve as the core for your studying efforts if you do not purchase a review course (or at least serve as prime supplementary reading for complex topics in a review course):

- Part 1: Publications 17, 463\*, 535, 544\*, 550, 551\*, 559, 590, 950, Inst. 706, Inst. 709, Inst. 1040, Inst. 1041, Inst. 5500EZ.
- Part 2: Publications 15, 225, 334, 463\*, 535, 541, 542, 544\*, 551\*, 560, 946, Form 8832, Inst. 2553.
- Part 3: Publications 5, 216, 552, 556, 947, 1345, Inst. 2848, Forms 8453, 8821.

\* Essential for both Part 1 and Part 2.

Note: As electronic preparation of returns becomes virtually mandatory, so does the number of questions regarding this topic on the exam. And electronic filing considerations are mentioned as possible test material under some of the soft topics added to Part 3, such as "Accuracy." So be absolutely sure to review Publication 1345 before taking the exam. In fact, the two publications you should review in every situation are Publication 1345 and Circular 230. Both are available on the IRS webpage.

**8. Know the Various Formats for the Tax Calculation by Heart** - In many cases knowledge of the basic formats of the tax computation (e.g., tax formulas) for the various tax entities can pay huge dividends. For example, here are descriptions of past-exam questions on four possible tax entities where format knowledge is essential:

*Individuals* – More than likely your exam will have several questions that require you to (1) distinguish deductions for adjusted gross income and those from adjusted gross income and (2) determine if an itemized deduction is or is not subject to the 2% of adjusted gross income floor;

*C Corporations* - A favorite question on the old open exams was to compute the corporate charitable deduction when a corporation has gross dividend income as well. If you know the corporate format, you will remember that the 10% of taxable income limit for corporations is based on an income figure that includes the gross dividend but does not take into account the dividends received deduction.

*Partnerships and S Corporations* – If you simply remember the definition of ordinary income for a partnership and an S corporation, you will be able to distinguish ordinary income from items that must be separately allocated to owners. The latter items all have one thing in common; they can't be included in ordinary income because they may affect different partners differently—capital losses, for example.

*Estates and Trusts* – For these entities, it is important to remember that a distribution deduction is allowed on the flow-through entity so that the party taxed is the beneficiary who ultimately received the distribution, and not the estate or trust. To the extent that distributions are made, estates and trusts are in effect flow-through entities.

**9. Know “What’s New” on the Topics Specification List** - Since going to a closed exam, ProMetrics has tried to stay on top of the changing tax landscape. In the Information Bulletin (which is REQUIRED reading for every candidate), a topics specification list for each part of the exam is listed. This is occasionally updated in consultation with practicing EAs and IRS personnel. A revised topics specification list was just added for the 2016-2017 test window, and several new topics appear on this list. **Appendix B** lists those new topics for each part of the exam, and these items should certainly be reviewed before sitting for the exam.

*A note of caution* – These lists are fairly long and can be intimidating, but many of the items just clarify topics on the original list and would be items you would study in any case. But some, such as taxpayer identity security issues, are indeed new items for discussion. An asterisk on an item in Appendix B indicates a new topic that is very new and/or was completely ignored on exams in the past. Be sure to review the complete Topics Specification List in the ProMetrics Bulletin to see the breath of the exam and the areas of most importance; note that the number of questions from each domain is also given in these lists.

**10. It’s the Health Care Law and It’s Rising Like a Bullet!** Tax provisions of the Affordable Care Act first applied in 2014, and the documented high error rates in reporting the credits and personal responsibility payments ensure that this will be a primary area of testing for years to come. Expect basic questions for the first few years of implementation, followed by a move toward more nuanced topics later. Remember that this topic can appear on all three parts of the exam (in Part 3, the emphasis would be on reporting issues and office review procedures). For the first two years, the examiners may mix in a few “experimental questions” on this topic as well; see the discussion of experimental questions below.

**11. Practice, Practice, Practic** - ProMetrics realizes that many individuals have never taken an electronic examination, so they ask that you arrive at the test site at least 15 minutes early to take a tutorial on the computerized exam. But why wait until then? ProMetrics offers the same tutorial online on their website. Whatever you do, take this tutorial several times before actually taking the exam. Things will be different enough at the testing center, and this is one way to remove some of the anxiety ahead of time.

The software developed by ProMetrics is very user-friendly and quite logical. Be sure to master the calculator function as well before taking the exam. Hint: If you take the sample tutorial questions online, be aware that at the end several of the questions are marked for review, even though you may not have marked them as such; ProMetrics just wants to demo this feature before you exit the tutorial.

**12. Which Parts to Take and When?** The electronic format permits candidates to take the exam more or less wherever, and more importantly, whenever they want. Obviously, this means that there is a huge data base of questions for each part of the exam, and more than likely each exam will be randomly generated from this data base (based on the percentages shown on the exam specification outlines). All of the options and requirements are explained in the Licensing Information Bulletin pamphlet available for download at [www.prometric.com/IRS](http://www.prometric.com/IRS). Given these options, which part or parts should you take first? There is no magic answer to this question, as this is an individual decision. Most candidates will simply choose to take each part separately, with a window for studying between each part.

On the other hand, if significant travel is involved in reaching a test center, some candidates may choose to take the entire exam over a two-day period. If more than one part is to be taken in a single day, it would make sense to take Part 3 as one of those two tests. There are less complicated details to master with Part 3, and no numbers at all. In this respect, it might be easy to compartmentalize the studying for each part and do well on both. And if you are taking all three parts, you'd have a break that night to brush up on the next part for the next morning. Many candidates may choose to take Part 1 (Individuals) first, since they are more familiar with the coverage. However, don't shortchange this portion of the exam. As mentioned earlier, no detail is too insignificant for this part.

Incidentally, what are the pass rates on the exam? Prometrics discloses the average pass rates for the last three years, which are (1) approximately 88% for Part 3, (2) 72% for Part 1, and (3) 57% for Part 2. So perhaps your best confidence booster right out of the box may be to take Part 3 first. But don't take it lightly.

One other thought: If you are going to take the exam one part at a time, try not to schedule a long interval between Parts 1 and 2. There are a number of topics that overlap these two parts (e.g., travel and entertainment expenses, related party losses, sales of property, nontaxable exchanges), and topics you mastered from studying one part may kick in on the next part.



# Twenty-Four Study Tips

## Part 2 - When Exam Day Arrives

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**13. *It is All Relative, So Go Ahead and Anoint Yourself Master of the Universe*** - We all have feelings of anxiety and inadequacy as a big day in our lives approaches, and the SEE is no different. However, try not to forget that the exam is in many respects graded on a curve, and many others taking the exam are a lot less prepared than you are. If you have put the time in and believe you are ready, approach the exam with an air of confidence and defy them to ask any question that you can't answer. For test days, you should firmly believe that you are the master of the universe.

**14. *Respond to Those Guilt Pangs*** - Most authorities on exam taking will suggest that you study very little (if at all) on the night prior to an exam. And generally, this is good advice. But if there is a big part of you that feels guilty about doing this, then go ahead and study for a short period the night before the exam. However, do not turn this into a panic attack; just brush up on topics that you just know are going to be on the exam. Allocate a maximum of one to two hours to this and then go to bed for hopefully some guilt-free rest.

**15. *Budget Your Time and Answer Each Question Correctly*** - Now, this is sure a keen insight into the obvious, isn't it? The point is a simple one; make sure you mark each question as you intend to and make liberal use of the flagging feature of the software for questions you would like to review before completing the exam. If you budget 1½ minutes for each exam question, that would leave almost an hour for reconsidering flagged questions and reviewing the entire exam. Mark estimated times for every question (i.e., at Question 21 you should be 30 minutes into the exam, at Question 41 you should be 1 hour into the exam, etc.). Try to stick with this rough schedule so that you will have plenty of time for reviewing the exam.

**16. *Move On, As First Impulses Are Usually Your Best Answers*** - There are several studies indicating that a person's first instinct as to an answer is more likely to be correct than a revised answer. This is especially true for multiple-choice questions. Answer the question and move on. If you are quite unsure about your answer, flag the question and return to it as time permits. But again, don't talk yourself out of your first impulse unless a light bulb suddenly comes on and this revelation was not considered the first time. And remember; for each possible answer you can eliminate as not being feasible, this greatly increases your odds of guessing the correct answer.

**17. *Remember: This is a Tax Exam, Not an Accounting Exam*** - Anytime you believe the answer to a question is the same answer that you would have for financial accounting purposes, stop and ask yourself if you have missed something. There are many areas where accounting and tax rules differ, and many of these instances are tested on the exam. For example, suppose that a calendar-year, accrual-basis lessor receives a \$36,000 prepayment for 3 years rent from a calendar-year, cash-basis taxpayer. Financial accounting would dictate that the lessor report \$12,000, or one-third, as rental income in Year 1 under the matching theory, while tax law states that the entire \$36,000 prepayment is taxed immediately under the wherewithal-to-pay doctrine. Likewise, the tax law states that an item cannot be deducted by a cash-basis taxpayer until it is both paid and incurred, so the lessee could only deduct \$12,000 in Year 1 (even though \$36,000 was paid).

**18. Watch For Clues in the Answers** - Sometimes a little knowledge can go a long way and help you eliminate some answer choices. For example, assume that you remember that a personal casualty and theft loss must always be reduced by a \$100 floor, and you are confronted with the following exam question:

*Several years ago, Mr. B purchased an antique vase for his personal use at a flea market sale for \$500. This vase was stolen on July 1, 2006, when its fair market value was \$1,000. Mr. B had insurance on the vase, but only for \$300 with no deductible amount. B had no other casualty losses. What is the amount of B's allowable casualty loss for the year, disregarding the limitation based on adjusted gross income?*

- a. \$100
- b. \$200
- c. \$500
- d. \$600

Since you know that the \$100 floor per casualty or theft must be subtracted, there is no way that answers (b) or (c) could be correct with any combination of the numbers. If you start with \$1,000 as the initial loss and subtract the \$300 insurance and \$100 floor, you obtain an answer of \$600; if you start with \$500 as the initial loss and subtract the \$300 insurance and \$100 floor, you obtain an answer of \$100. Even if you forget to subtract the insurance, your answers would be either \$900 or \$400, and these are not among the answer choices. So the answer has to be either (a) or (d), and hopefully you will choose answer (a), since the tax law never permits a loss greater than the actual cost of the item since the appreciation in value of the item was never reported as income.

**19. Do Not Let the Part 2 “Advanced Topics” Scare You** - Some of the real fears of many SEE candidates are questions related to aspects of taxation that they do not normally encounter in their practice. This is only natural, and many times this fear discourages individuals from ever taking the exam. However, there is a key point worth remembering here. Generally, only a fundamental knowledge is required for the exam, and this is especially true for questions on tax entities other than the sole proprietor in Part 2 (e.g., partnerships, corporations, S corporations, and estates and trusts).

Here the exam questions look more like “book exam” questions, and some candidates find that they actually do better on these parts of the exam than Part 1 (where no question related to individual taxpayers is considered too picky; once again, just look at the recent pass percentages mentioned earlier). These areas are where review courses and/or college textbooks can be of immense help in preparing for the exam. You will most likely have to devote more time to studying Part 2 than the other two parts, but this extra time should pay off. The pass percentage has been lower on Part 2, and for that reason the questions will probably veer more to straight-forward, fundamental questions in the future.

In some respects, the closed exam format *lessens* the weight assigned to a few of these “advanced topics.” For example, the sole proprietorship and partnerships, formerly tested separately, are now tested on Part 2, along with C corporations and S corporations. And all the business income (e.g., farm income, inventories, etc.) and deduction principles (e.g., depreciation, bad debts, etc.) that were formerly tested on Part 1 are now in Part 2.

**20. You May Know More Than You Think You Do** - Sometimes the answer to a question that you think you know nothing about may be answered by applying a few basic tax fundamentals that you do know something about. For example, the basic principles of Sec. 1031 like-kind exchanges of properties are applicable to a variety of other situations. What if a question involves the formation of a corporation, and a contributing shareholder receives shares of stock and cash? Or perhaps the transaction is a corporate

reorganization, where the shareholder surrenders old stock and receives new stock and some cash. In both cases, taxable gain is limited to the “boot” received in the exchange (the non-similar property received, in these cases the cash). Both illustrations are just a variation in the more familiar like-kind exchange rules, where the taxable gain is limited to the taxpayer’s wherewithal to pay tax. In fact, the *wherewithal to pay principle*, which states that the tax is imposed when the taxpayer is best able to pay and the government is best able to collect, can answer a variety of tax questions and may become your best friend come examination time.

**21. *Settle for Less Than 100 Percent*** - No matter how prepared you are, there will be a few questions that you will know *absolutely nothing* about. Some of the questions will be unbelievably picky and pulled out of obscure documents on the IRS Study List. Maybe it’s an unwritten rule that candidates must be taught humility at some point in the exam, and perhaps that’s a good thing—we’ll never know all the rules in practice either. Don’t be alarmed, as other candidates will have the same reaction as you. Just give the examiners that question (after making your best guess, of course - there is no penalty for guessing!) and move on. Hopefully, these questions will be few and far between, and your time is better spent on questions you do know something about.

**22. *Experimental Questions*** - As noted in the Prometrics Bulletin:

*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.*

What does all this mean? It goes back to one fundamental idea: a statistically “good” question is one answered correctly by those candidates passing the exam and incorrectly by those candidates failing the exam. (I know, you’re thinking, “Gee what an insight!”) Nonetheless, once a question is asked the first time, the statistical analysis will tell the examiners whether it was a “good” question to use again. So if you have a question that baffles you, it may well be an experimental question that will not count against you. A nuanced question on the health care law definition of coverage may likely be an experimental question, but a computational question on the individual basic credit computation or the shared responsibility payment is likely to be a real question for credit. Incidentally, the revised test specifications list now states that each part of each exam will include 85 regular test questions and 15 experimental questions.

**23. *Post-Mortems: Avoid at All Costs*** - It is a natural tendency to want to obsess about an exam right after taking the test. But there’s nothing you can do about it after the fact. If you fall short on an exam, redouble your study efforts the next time. And, if you are taking another part of the exam soon, just view the previous test as a history and move on with optimism and determination. Fortunately, the new exam format provides instant gratification (or instant mortification), as the exam score will appear on your screen immediately at the end of the exam, and you’ll receive a printed copy. If you pass, you will not receive a score, only notification that you have passed; if you fail, you will be given your scaled score (between 40 and 104), and some diagnostic information by topic area as to whether or not you score considerably below, marginally below, or at or above the minimally accepted score.

**24. Success!** If you decide to study hard, take this big step in your career, and stand out in your profession, this is what you will see on the screen when you press that little button to submit the exam:

Score Report for Lastname, Firstname, MI

**Special Enrollment Examination – Part 1: Individuals**

Scaled Topic Area:

Grade: Pass

(A total score of 105 is required to pass)

**You Did It!** Successful candidates may apply for enrollment when notified that they have passed all three parts of the Special Enrollment Examination. They must file a completed Form 23, along with a check for \$125, within one year of passing all three parts of the exam. Expect a few weeks delay before receiving your enrollment card, but this is something definitely worth waiting for!

Good luck on the exam! YOU CAN DO THIS!

# Appendix A

## Topics Covered at Least Seven Times in the Last Ten Publicly Available EA Exams

### Part 1 (Individuals)

- Requirements to File a Return
- Exemption Deductions – Gross Income Test
- Filing Status – Head of Household
- Statutory Fringe Benefit Exclusions
- Dividend Income – Dividend Reinvestment Plans
- Prepaid Rental Income and Deposits
- Reporting Rental Income – Vacation Rental Homes
- Social Security Income – Basic Computation
- Passive Activities – The \$25,000 Real Estate Exception
- Investment Incomes – Mutual Funds and REITS
- Miscellaneous Income – Members of the Clergy
- Prizes, Awards, and Scholarships
- Forgiveness of Indebtedness Income
- Requirements for Alimony for Tax Deduction/Inclusion
- Medical Expenses of Dependents and Family Members
- Qualifying Medical Costs
- Medical Expenses – Capital Expenditures
- Interest Expense – Home Acquisition and Home Equity Interest
- Charitable Deductions – Qualifying Organizations and Contributions
- Charitable Contributions – Limits on Contributions of Property
- Charitable Contributions – Substantiation
- Casualty and Theft Losses – Determining the Deduction
- Employee Business Expenses – Meals and Entertainment
- Employee Business Expenses – Transportation and Auto Expenses
- Travel Expenses of Employees or Self-Employed Individuals
- Reimbursed Employee Expenses and Required Documentation
- Education Expenses of Employees
- Miscellaneous Itemized Deductions Subject to the 2% AGI Floor
- Capital Assets – Holding Period
- Statutory Gain or Loss – Transactions Between Related Parties
- Statutory Gain or Loss – Nonbusiness Bad Debts
- Statutory Gain or Loss – Miscellaneous (1244 Stock, Worthless Stock)
- Like-kind Exchanges – Adjusted Basis of New Property
- Determining Adjusted Basis – Purchased Property
- Determining Adjusted Basis – Stock and Stock Dividends
- Determining Adjusted Basis – Gift Property
- Determining Adjusted Basis – Inherited Property
- Capital Gain or Loss Netting – 15%-Rate “Pure” Capital Assets
- Determining Net Capital Losses and Carryovers
- Exclusion of Gain on Sale of a Residence – Qualifications
- Exclusion of Gain on Sale of a Residence – Computations
- Installment Sales – Basic Computations
- Dispositions of Installment Notes
- Child and Dependent Care – Qualified Expenses
- Earned Income Credit – General Qualifications
- Earned Income Credit – Basic Computations
- Child Tax Credit
- Individual Alternative Minimum Tax – Adjustments and Preferences
- Alternative Minimum Tax Computation and Related AMT Credit
- Estimated Tax Requirements and Underpayment Penalties
- Refund Claims and Extensions
- Employment Tax Issues for Individuals (Household, Clergy, etc.)
- Individual Retirement Accounts – Qualifications
- Individual Retirement Accounts – Earned Compensation Defined
- IRAs and Other Pension Plans – Prohibited Transactions
- Individual Retirement Accounts – Contributions and Deductions
- Roth IRAs
- Excess Contributions to IRAs
- IRA Distributions
- Requirements to File a Gift Tax Return
- Computing Taxable Gifts – Gift-Splitting Election
- Computing the Gift Tax
- Due Dates for Federal Estate Tax Return
- Gross Estate – Inclusion Rules
- Determining the Gross Estate
- Estate Tax – Applying the Alternative Valuation Rules
- Estate Tax – Deductions from the Gross Estate
- Estate Tax – Credits Against the Estate



## ***Part 2:***

- Accounting Periods and Changes of Accounting Periods
- Definition and Adoption of an Accounting Method
- Farmers – Special Inventory Methods
- Farmers – Weather-Related Sales and Tax Elections
- Inventory Requirements and Permissible Methods
- Inventories – Inventorable Costs
- Deductions – Losses Between Related Parties
- Bad Debts Expense – Business vs. Nonbusiness Determinations
- Recoveries of Bad Debts
- MACRS – §179 Deductions
- MACRS – Listed Property Rules and Luxury Auto Limitations
- Rent and Leasehold Expenses – Deducting Prepaid Rent
- Rent and Leasehold Expenses – Leasehold Improvements
- Salary and Wage Expenses – General Requirements
- Salary and Wage Expenses – Deductibility of Vacation Pay
- Tax Treatment of Fringe Benefits
- §197 Intangibles Defined
- Determining Meals and Entertainment Deductions
- Convention Travel Expenses
- Expenses for Gifts
- Business Interest Expense Deductions
- Business Taxes Expense Deductions
- Business Insurance Expense Deductions
- Net Operating Losses – Basic Rules
- Net Operating Loss Carryforwards and Carrybacks
- Hobby Loss Rules
- Casualty and Theft Losses – Noninventory Items
- Casualty and Theft Losses – Inventory Items
- Excise Taxes – Heavy Vehicle Motor Use Tax
- Self-Employed Earnings Defined
- Determining Self-Employed Earnings
- Estimated Taxes – Farm and Fishing Income
- Determination of Basis – Lump-sum Purchases
- Determining the Adjusted Basis of Real Estate
- Special Gain (Loss) Rules – §1244 Stock
- Like-kind Exchanges – Determining Gain or Loss
- Like-kind Exchanges – Determining Basis of Replacement Properties
- Partnerships – Definition and Legal Formalities
- Partnerships – Determining Basis of a Partnership Interest
- Partnerships – Accounting Methods Issues
- Determining Ordinary Partnership Income and Special Allocations
- Partner Reporting of Partnership Income Share
- Determining Partnership Guaranteed Payment Deduction
- Determining the Adjusted Basis of a Partner's Interest
- Allocation of Partnership Losses – Basic Rules
- Allocation of Partnership Losses With Liabilities
- Partnership Profit and Loss Allocations for Family Partnerships
- Partner/Partnership Related Party Attribution Rules
- Resale of Partnership Property With a Disallowed Loss
- Liquidating Partnership Distributions – Basis of Properties Received
- Sale of a Partnership Interest Without §751 Assets
- Sale of a Partnership Interest With §751 Assets
- Entities – Check the Box Regulations
- §351 Transfers – Basic Requirements
- §351 Transfers – Transfers of Services
- §351 Transfers – Gain (Loss) Without Boot Received
- §351 Transfers – Gain (Loss) With Boot Received
- §351 Transfers – Gain (Loss) With Liabilities Involved
- §351 Transfers – Basis of Property Received by Corporation
- §351 Transfers – Basis of Stock to Shareholders
- §351 Transfers – Basis of Property to Shareholders
- Disallowed Losses on Sales of Property between Corporations and Shareholders
- Corporate Capital Gains and Losses – Carryover of Capital Losses
- Corporate Dividends Received Deduction – General Rule
- Corporate Dividends Received Deduction – Income Limitations and Exceptions
- Corporate Charitable Deduction – Limits on Deduction
- Corporate Deduction – Compensation and Fringe Benefits
- Controlled Corporate Groups – Special Limitations
- Corporations – Schedule M-1 and M-3 Reconciliations of Book and Taxable Income
- Corporate Filing Requirements and Due Dates
- C Corporation Estimated Tax Payments
- Corporate Form 1099 Filing Requirements
- Corporate Filing Requirements at Liquidation
- Corporate Earnings and Profits (E&P) – Adjustments Required to Determine E&P
- Property Distributions – Effect on E&P
- Corporate Distributions – Classification of Cash Distributions
- C Corporation Redemptions – Dividend or Exchange Treatment
- C Corporation Redemptions – Stock Attribution Rules
- Corporate Distributions of Property – Gain or Loss to Shareholder
- Corporate Distributions of Property – Gain or Loss to Distributing Corporation
- Stock Dividends and Stock Rights

## *Part 3:*

- Liquidating Cash Distributions to Corporate Shareholders
- S Corporations – Basic Requirements
- S Corporation Election – Effective Date
- Termination of an S Corporation Election
- Tax on Excessive Passive Income of an S Corporation
- S Corporations – Determining Ordinary Income and Specially Allocated Items
- Allocation of S Corporation Losses – No Shareholder Loans
- Allocation of S Corporation Losses – Shareholder Loans Also Present
- Classifying S Corporation Distributions of Cash
- Determining an S Corporation Shareholder’s Stock Basis
- Decedent’s Final Income Tax Return – Gross Income Issues
- Decedent’s Final Income Tax Return – Deductions and Credits
- Estates and Trusts – Form 1041 Filing Requirements
- Estates and Trusts – Income in Respect of a Decedent
- Simple and Complex Trusts Defined
- Estates and Trusts – Taxable Income Calculation
- Estates and Trusts – Determining Distributable Net Income (DNI)
- Estates and Trusts – Beneficiary Income (Loss) Allocation Rules in General
- Estates and Trusts – Computing the Allocated Income (Loss) to Beneficiaries Grantor Trust Issues
- Keogh Retirement Plans – Basic Requirements
- Keogh Retirement Plans – Contribution and Deduction Limits
- SEP-IRAs – Basic Rules
- SIMPLE Pension Plans – Basic Rules
- Business Pension Plans – Prohibited Transactions
- Identifying Tax-Exempt Organizations
- Acts Constituting Practice Before the IRS
- Automatic Categories of Representation Before the IRS
- Nonenrolled Individuals Who May Practice Before the IRS
- Individuals Who May NOT Practice Before the IRS
- Enrollment – Basic Privilege and Responsibilities
- Enrollment Cycles and Renewals
- Enrollment CPE Requirements
- Due Diligence and Confidentiality Issues
- Power of Attorney – Scope of Authority
- Power of Attorney – Form 2848 Requirements
- Power of Attorney – Changes in a Power of Attorney
- Enrollment – Tax Information Authorizations (TIAs)
- Enrollment – Central Authorization Files (CAFs)
- Enrollment – Confidentiality
- Enrollment – Disreputable Conduct
- Enrollment – Complaints Against Enrolled Agents
- Enrollment – Hearing on Suspension or Disbarment
- Electronic Filing – Special Returns
- Electronic Filing – Rejected Returns
- Electronic Filing – Fee Structure
- Recordkeeping Requirements – Individuals
- IRS Audits – Transfers to Another District
- IRS Audits – Repetitive Audits
- Statutory Notice of Deficiency
- IRS Appeals – Written Protest Requirements
- IRS Appeals – Court Opinions
- U.S. Tax Court – Small Case Procedures
- U.S. Tax Court – Basic Procedure
- Income Tax Preparers – Definition of a Preparer
- Penalties – §6694(a) Understatement of Tax Due to Unrealistic Position on Return
- Penalties – §6694(b) Willful Understatement
- Tax Preparers – Who Must Sign a Return
- Tax Preparers – Penalty for Endorsing or Negotiating Refund Checks
- IRS Administration – The Collection Process
- IRS Administration – Tax Lien Filing Requirements
- IRS Administration – Requirements for a Levy

# ***Appendix B***

## ***Topics Specification List***

### ***Newly Listed Topics for 2016 and Later Years***

\* Denotes Important Recent Developments and/or Topics Completely Ignored on Prior Specification Lists

#### ***Part 1:***

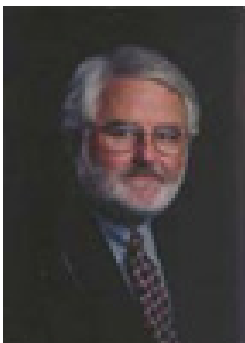
- Identity Protection PIN \*
- Foreign Earned Income Exclusion
- ACA Requirements – Health Insurance Coverage, Total Household Income, Advance Premium Tax Credit, Exemptions, etc. \*
- Income of Statutory Employees
- Depreciation on Rental Properties
- Pass-through Entities – Schedule K-1, income, deductions, basis
- Itemized Deduction Recoveries (Tax Benefit Rule)
- 1099 Miscellaneous Income Reporting, Irregularities and Corrections \*
- Taxability of Railroad Retirement Benefits
- Taxation on Net Unrealized Appreciation in Retirement Accounts \*
- Tax Implications of Inherited Retirement Accounts
- Depreciation Recapture Rules and Form 1099A Reporting \*
- Foreign Pensions and Retirement Income
- Mark to Market Rules \*
- Publicly Traded Partnerships – Sales, Dispositions and Losses \*
- Investor vs. Trader \*
- Self-Employed Health Insurance
- Indebtedness Limitations on Interest Deductions
- ACA Net Premium Tax Credit \*
- Health Insurance Credits
- General Business Credits (General Reporting) \*
- Income in respect of decedent (e.g., allocations) \*
- Healthcare individual responsibility payment and exceptions \*
- Net investment income tax \*
- Additional Medicare tax \*
- Uncollected Social Security and Medicare tax
- Other taxes (e.g., first time homebuyer credit repayment)
- Penalty Avoidance for the Estimated Tax
- Advantages and Disadvantages of Various Filing Statuses
- Estate Portability Election \*
- FBAR – Filing Requirements and Due Dates, Covered Accounts, Potential penalties, and Distinctions Between FBAR and Form 8938 Requirements \*

#### ***Part 2:***

- Qualified Joint Ventures (QJV) \*
- Entity Type – Default Classifications and Elections \*
- Reporting requirements (e.g. Forms W-2, W-4, Form 1099)
- Hobby versus Business Determination and Loss Limitations
- Contribution of Property to Partnership (e.g., Partnership's Basis, Property Subject to Indebtedness)
- Corporate Late Filing and Payment Penalties
- Business Self-Rentals \*
- Correcting Depreciation Errors \*
- Small Business Health Care Tax Credit \*
- Personal Property Converted to a Business Use (Depreciation and Basis Issues)
- Capitalization and Repair Regulations (and Related Elections) \*
- Use of Business Classification Codes \*
- Accounting Changes of Method and Form 3115
- Depletion
- Start-up and Organization Costs
- Deductions and Credits for Tax Planning (e.g., Timing of Income and Expenses, NOL, Depreciation Versus IRC Section 179)
- ACA compliance \*
- Foreign Trusts \*
- Estates and Trusts Tax Years and Penalties
- Applying for IRS Tax-Exempt Status (e.g., Form 1023, Form 1024)
- Farm Income (e.g., Self-Raised livestock, Crop Insurance Proceeds, Subsidies, Patronage Dividends, Conservation Payments)

## ***Part 3:***

- Preparer Due Diligence Related to the Earned Income Credit
- Transcripts and Access and Use of IRS e-services \*
- General Financial Health and Insolvency
- Tax Treaties and Other Internal Agreements \*
- Levies and Form 12153
- Refund Offsets \*
- Amended returns and claims for refund (e.g., Form 1040X, Form 843, Appropriateness and Timeliness)
- Procedures for Requesting Abatements \*
- Limited Practitioner Privilege (e.g., IRC section 7525)
- Interpretation and Analysis of CP-2000 Notice and Correspondence Audits \*
- Preparer Conflict of Interest
- Security of Taxpayer Data (Electronic and Paper) \*
- E-file Mandate and Exceptions (Form 8948)
- EFIN Revocation Appeals Process
- Identity Theft Procedures and Resolution (e.g., IP PIN)



### ***About the Author:***

John O. Everett, Ph.D., CPA is Professor Emeritus of Accounting at Virginia Commonwealth University in Richmond, VA. He has coauthored numerous articles and textbooks and has taught for national CPA firms. John is the author of the NSA Enrolled Agents Exam Review Course, and John and Bill Duncan of Arizona State University co-present the Live Enrolled Agents Exam Review Course each year prior to the NSA Annual Meeting.