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IRS

RTRP

Registered Tax Return Preparer



QUESTION: 96

In the event an applicant for registered tax return preparer status is denied enrollment, (s)he may file an appeal of that decision with the Deputy Commissioner of the Internal Revenue Service.

- A. True.
- B. False.

Answer: B

An applicant who is denied enrollment may, within 30 days after receipt of the notice of denial, file a written appeal to the Secretary of the Treasury. A decision on the appeal will be rendered by the Secretary of Treasury as soon as practicable.

QUESTION: 97

Mike, age 30, and his daughter lived with Mike's mother during the year. Mike's earned income and adjusted gross income for the year was \$4,000. The mother's adjusted gross income for the year was \$37,000. Assuming that the daughter is a qualifying child for both Mike and his mother, which of the following statements is true with regard to the Earned Income Credit?

- A. Since the daughter is a qualifying child for both Mike and his mother, they both can claim the credit providing they allocate the earned income.
- B. Neither can claim the credit.
- C. Mike can claim the credit since he is the parent, and his mother's adjusted gross income exceeds the limit for the year.
- D. Mike's mother can claim the credit because her adjusted gross income is more than Mike's.

Answer: C

The Earned Income Credit is a refundable tax credit for low-income taxpayers under Sec. 32. The credit is based on a taxpayer's earned income subject to certain limitations. An individual is eligible for the Earned Income Credit if (s)he has a qualifying child for the tax year or does not have a qualifying child for the tax year and (1) has a principal place of abode in the United States for more than one-half of the tax year, (2) has attained age 25 but not age 65 before the close of the tax year, and (3) is not a dependent of another taxpayer for any tax year beginning in the same calendar year. A qualifying child is one who bears the necessary relationship to the taxpayer, has the same principal place of abode as the taxpayer for more than one-half of the tax year, and meets the requisite age

requirements, and one for whom the necessary identification requirements are satisfied. If more than one person has the same qualifying child, then the parent is given priority to claim the credit.

QUESTION: 98

Which of the following is false?

- A. A taxpayer who is a qualified child of another person cannot claim the EIC.
- B. You cannot claim the Earned Income Credit if you do not have a SSN.
- C. You can claim the Earned Income Credit with an ITIN.
- D. You are not allowed the Earned Income Credit if you are married filing separately.

Answer: C

Individual Tax Identification Numbers (ITINs) disqualify the taxpayer and/or the otherwise qualifying child (QC) from the credit.

QUESTION: 99

A taxpayer should itemize deductions if the taxpayer's total itemized deductions are

- A. Less than the taxpayer's interest income.
- B. More than the taxpayer's standard deduction.
- C. Equal to the taxpayer's self-employment tax.
- D. Double the taxpayer's unemployment compensation.

Answer: B

A person itemizes deductions if the total allowable itemized deductions, after all limits have been applied, is greater than the standard deduction. A person must elect to itemize, or no itemized deductions will be allowed.

QUESTION: 100

Where is unreported tip income reported as income?

- A. Schedule D.
- B. Schedule B.
- C. Schedule A.
- D. Line 7 of Form 1040.

Answer: D

Unreported tip income as calculated on Form 4137, Social Security and Medicare Tax on Unreported Tip Income, line 4, will also increase Form 1040 line 7.

QUESTION: 101

Which of the following statements is false regarding registered tax return preparers?

- A. Practice is limited to preparing and signing tax returns and claims for refund and other documents for submission to the Internal Revenue Service.
- B. They may represent taxpayers before revenue agents, customer service representatives, or similar officers and employees of the Internal Revenue Service during an examination if the registered tax return preparer signed the tax return.
- C. They are subject to the provisions of Circular 230 in the same manner as attorneys, certified public accountants, enrolled agents, enrolled retirement plan agents, and enrolled actuaries.
- D. They may represent taxpayers before appeals officers, revenue officers, counsel, or similar officers or employees of the Internal Revenue Service or the Treasury Department.

Answer: D

A registered tax return preparer may not represent taxpayers before appeals officers, revenue officers, counsel, or similar officers or employees of the Internal Revenue Service or the Treasury Department.

QUESTION: 102

If the IRS rejects the electronic portion of a taxpayer's individual income tax return for processing, and the ERO cannot rectify the reason for the rejection, the ERO must take reasonable steps to inform the taxpayer of the rejection within 48 hours.

- A. True.
- B. False.

Answer: B

If the IRS rejects the electronic portion of a taxpayer's return and the reason for the rejection cannot be rectified by the actions described in Revenue Procedure 98-50, the ERO must take reasonable steps to inform the taxpayer that the taxpayer's return has not been filed within 24 hours of receiving the rejection.

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