

**Professional Education Services, LP**

# **Tax Debt Relief and the IRS**

**#7175/QAS7175  
EXAM MATERIAL**

The logo for Professional Education Services (PES) features the letters 'PES' in a large, bold, white font with a black outline, set against a teal background that resembles a stack of papers.

**Professional Education Services, LP**

*The Professional's Choice for Quality CPE.*

4208 Douglas Blvd. • Suite 50

Granite Bay, CA 95746 • [www.mypescpe.com](http://www.mypescpe.com)

1-800-998-5024 • Customer Service: 1-800-990-2731

Fax: 916-791-4099



# TAX DEBT RELIEF AND THE IRS (COURSE #7175/QAS7175)

## COURSE DESCRIPTION

This course provides an overview of the major tools that can be used to settle tax debts with the Internal Revenue Service, including Offers in Compromise and Installment Agreements. It also provides an overview of how the IRS enforces payment of federal taxes, including seizing the property of delinquent taxpayers. No prerequisites. Course level: Basic. Course #7175/QAS7175 – 8 CPE hours.

## LEARNING ASSIGNMENTS AND OBJECTIVES

*As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.*

### **ASSIGNMENT 1: SUBJECT**

#### **Introduction to Settling with the IRS The IRS Collection Process Installment Agreements**

Study the course materials from pages 1 to 42

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 13

#### **Objectives:**

- To recognize the impact of the “fresh start” initiative
- To recognize the various methods the IRS may use to collect federal tax debts
- To identify qualifications for filing an Installment Agreement with the IRS

### **ASSIGNMENT 2: SUBJECT**

#### **Grounds for Seeking an Offer in Compromise Applying for an Offer in Compromise**

Study the course materials from pages 43 to 88

Complete the review questions at the end of each chapter

Answer the exam questions 14 to 20

#### **Objectives:**

- To identify different methods the IRS can use to settle claims
- To recognize steps in the process of applying for an Offer in Compromise

**ASSIGNMENT 3: SUBJECT**

**Rejecting Offers in Compromise  
Financial Analysis of Offers in Compromise**

Study the course materials from pages 89 to 132

Complete the review questions at the end of each chapter

Answer the exam questions 21 to 24

**Objectives:**

- To identify how long a taxpayer has to appeal an Offer in Compromise
- To recognize some of the factors the IRS considers in determining the amount the taxpayer should be able to pay under a Doubt as to Collectability Offer in Compromise

**ASSIGNMENT 4: SUBJECT**

**Relief from Liability for Joint Partners  
Resolving Delinquent Taxes Via Bankruptcy**

Study the course materials from pages 133 to 186

Complete the review questions at the end of each chapter

Answer the exam questions 25 to 40

**Objectives:**

- To identify differences between the four types of relief from joint and several liability for spouses who filed joint returns
- To recognize differences between the most common forms of bankruptcy protection

**ASSIGNMENT 5:**

- **Complete the Answer Sheet and Course Evaluation and submit to PES**

**NOTICE**

This course and test have been adapted from materials and information contained in the materials entitled *Tax Debt Relief and the IRS* and any supplemental material provided. This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice.

© Professional Education Services, LP 2014

Program publication date 6/23/14

# TAX DEBT RELIEF AND THE IRS (COURSE #7175/QAS7175) EXAM OUTLINE

**COURSE EXPIRATION DATE:** Per AICPA and NASBA standards, this course must be completed within one year from the date of purchase.

**TEST FORMAT:** The following final exam, consisting of 40 multiple choice questions, is based specifically on the material included in this course. The answer sheet must be completed and returned to PES for CPE certification. You will find the answer sheet at the back of this exam packet so that you may easily remove it and use it while taking your test.

**LICENSE RENEWAL INFORMATION:** The Tax Debt Relief and the IRS course (#7175/QAS7175) qualifies for 8 CPE hours.

**PROCESSING:** Your exam will be graded promptly. You must score 70% or better to pass. If you mail or fax your exam, when you pass, your certificate of completion will be mailed. If you do not pass, we will give you a courtesy call to inform you of this, and another answer sheet will be sent to you free of charge. If you complete your exam online, your certificate will be available automatically in your account if you achieve a passing grade.

## GRADING OPTIONS – Please choose only ONE of the following:

**GRADING OPTIONS:** Please choose only one of the following. There is no additional charge for any of these grading options. Make sure to fill out your answer sheet completely prior to submitting it.

- **ONLINE GRADING** – Visit our website at <http://www.mypescpe.com>. Login to your account (if you are a first-time user you must set up a new user account). Go to the “**MY CPE**” tab and click the “**My CPE Exams in Progress**” folder. If your exam is not already located in this folder, click “**Add Exam Previously Purchased**” and follow the instructions.
- **MAIL** – Your exam will be graded and your certificate of completion mailed to you the same day we receive it. Your certificate will be dated according to the postmark date; therefore, you do not need to overnight your exam. Please mail your answer sheet to:

**Professional Education Services, LP  
4208 Douglas Blvd., Ste 50  
Granite Bay, CA 95746**

- **FAX** – Your exam will be graded and you will be contacted either via phone or fax with your results within 4 business hours of receipt. A copy of your graded exam and certificate of completion will be mailed to you the same day we receive it. Your certificate will be dated according to the fax date. If you choose to fax your exam, please do not mail it. Your fax will serve as the original. Please refer to the attached answer sheet for further instructions on fax grading. Fax number (916) 791-4099.

**THANK YOU FOR USING PROFESSIONAL EDUCATION SERVICES.  
WE APPRECIATE YOUR BUSINESS!!**

**THIS PAGE INTENTIONALLY  
LEFT BLANK.**



**TAX DEBT RELIEF AND THE IRS (COURSE #7175/QAS7175)  
FINAL EXAM**

The following questions are multiple choice. Please indicate your choice on the enclosed Answer Sheet.

1. **Changes to the “Fresh Start” Program announced by the IRS in 2012 had what impact on the Offers in Compromise program:**
  - A. they allowed all taxpayers with delinquent taxes to qualify for an Offer in Compromise
  - B. they offered more flexible terms
  - C. they lowered the qualification threshold to tax debts under \$5,000
  - D. they required taxpayers to have CPAs file applications for an Offer in Compromise
2. **What type of hearing can a taxpayer use to request an appeal of an IRS collection action:**
  - A. Informal Staff Review Hearing
  - B. Collection Due Process Hearing
  - C. Taxpayer Collection Rights Hearing
  - D. Collection Delinquency Production Hearing
3. **After receiving a Notice of Federal Tax Lien from the IRS, how many days do taxpayers have to file a request for a Collection Due Process Hearing:**
  - A. 10
  - B. 15
  - C. 30
  - D. 60
4. **When will the IRS release a tax lien:**
  - A. if the delinquent taxes have all been paid
  - B. if the taxpayer has filed for bankruptcy protection
  - C. if the taxpayer promises to pay the money back within 60 days
  - D. if the taxpayer is seeking Innocent Spouse Relief
5. **What is the term used when the IRS allows another creditor of the taxpayer to have priority position with respect to collection of the debt:**
  - A. subordination
  - B. levy
  - C. release of lien
  - D. partition
6. **The IRS is prohibited from seizing a taxpayer’s property under which of the following circumstances:**
  - A. the taxpayer has never previously filed for bankruptcy protection
  - B. the taxpayer has a current Offer in Compromise or Installment Agreement
  - C. the amount of delinquent tax is less than \$50,000
  - D. there is another lien on the same property
7. **Under what circumstances may a taxpayer recover real estate seized and sold by the IRS:**
  - A. there are no such circumstances
  - B. by paying the new owner fair market value plus 10 percent within 90 days of the sale
  - C. by paying the new owner the price they paid plus interest at 20 percent annually within 180 days of the sale
  - D. by paying the new owner the fair market value plus interest at 20 percent annually
8. **What form must be filed in order to seek an Installment Agreement with the IRS:**
  - A. Form 656-L
  - B. Form 9465
  - C. Form 8857
  - D. Form 433-A (OIC)

9. What happens to interest and penalties when a taxpayer enters into an Installment Agreement:
- A. penalties are abated but the taxpayer remains liable for the interest
  - B. the interest is abated but the taxpayer remains liable for the penalties
  - C. the taxpayer remains liable for both the interest and penalties
  - D. the taxpayer is no longer liable for either the interest or penalties
10. What is the general fee for entering into an Installment Agreement by check or credit card:
- A. \$120
  - B. \$225
  - C. \$355
  - D. \$450
11. The IRS must grant a request for an Installment Agreement if the taxpayer meets 3 conditions and does not owe more than:
- A. \$5,000
  - B. \$10,000
  - C. \$20,000
  - D. \$50,000
12. Taxpayers can apply for an Installment Agreement online if the amount they owe is not more than:
- A. \$10,000
  - B. \$25,000
  - C. \$50,000
  - D. \$100,000
13. Which one of the following is required in order for a taxpayer to enter into a Streamlined Installment Agreement:
- A. the taxpayer must be compliant with all filing and payment requirements
  - B. a current financial statement
  - C. taxpayer's tax debt is \$25,000 or less
  - D. the debt must be fully repaid within 60 months or prior to the end of the statute of limitations for collection
14. When will the IRS not accept an Offer in Compromise based on Doubt as to Collectability:
- A. the taxpayer is able to pay at least 25% of the tax due
  - B. the taxpayer is able to pay at least 50% of the tax due
  - C. the taxpayer is able to pay the tax via an Installment Agreement
  - D. there is a legitimate dispute as to how much tax is owed
15. A taxpayer who is able to repay his or her debt may nonetheless be allowed to settle the debt for less with the IRS via which one of the following theories:
- A. Effective Tax Administration
  - B. Doubt as to Liability
  - C. Doubt as to Collectivity
  - D. Constitutional Arguments
16. Which one of the following circumstances will the IRS not consider when determining how much money to require a taxpayer to pay toward an Offer in Compromise:
- A. the number of dependents a taxpayer has
  - B. the age of the taxpayer
  - C. the cost of living where the taxpayer resides
  - D. the taxpayer's current standard of living



- 17. What happens to interest and penalties on delinquent tax payments while an Offer in Compromise is being evaluated by the IRS:**
- A. they are waived
  - B. they continue to accrue normally
  - C. they continue to accrue at a reduced rate
  - D. they accrue only if the taxpayer fails to send in a partial payment for the Offer in Compromise
- 18. The IRS requires taxpayers submitting an Offer in Compromise to complete Form 433-A (OIC) in order to:**
- A. determine if the taxpayer really owes the delinquent taxes
  - B. determine if the taxpayer should be required to pay his or her delinquent taxes as a matter of public policy
  - C. determine an appropriate offer that the taxpayer can afford to pay
  - D. determine if there is a third party that should be liable for the tax payments
- 19. A taxpayer who is seeking a lump sum Offer in Compromise must make an initial lump sum payment and his or her remaining payment to the IRS within how many installments:**
- A. 5
  - B. 10
  - C. 12
  - D. 20
- 20. An Offer in Compromise will be deemed accepted if the IRS fails to take action within how long after receipt:**
- A. 6 months
  - B. 1 year
  - C. 2 years
  - D. 3 years
- 21. How many days does a taxpayer have to appeal an IRS rejection of an Offer in Compromise:**
- A. 30
  - B. 60
  - C. 90
  - D. 120
- 22. In general, the financial information submitted by a taxpayer as part of an Offer in Compromise must be no older than how many months:**
- A. 3
  - B. 6
  - C. 9
  - D. 18
- 23. The IRS generally calculates an asset's Quick Sale Value (QSV) at what percent of its fair market value:**
- A. 50 percent
  - B. 75 percent
  - C. 80 percent
  - D. 90 percent
- 24. For purposes of computing how much a taxpayer can afford to pay toward an Offer in Compromise, the IRS considers a taxpayer's transportation expenses necessary if:**
- A. the expense is used to help produce income, such as driving to and from work
  - B. the taxpayer's children are used to driving to and from school in a car purchased by the taxpayer
  - C. public transportation is less convenient
  - D. the taxpayer's other expenses are all reasonable

**25. Which one of the following statements about joint returns is most correct:**

- A. the taxpayers are jointly and severally liable for the tax, but not for interest or penalties
- B. the taxpayers are jointly and severally liable for the tax, including penalties and interest
- C. the taxpayers are jointly liable, but only so long as they are married
- D. the taxpayers must elect to be held jointly and severally liable

**26. Which one of the following is not a type of relief available to help a taxpayer who filed a joint return avoid liability of unpaid taxes, interest, and penalties:**

- A. injured spouse relief
- B. innocent spouse relief
- C. equitable relief
- D. separation of liability relief

**27. Taxpayers seeking Innocent Spouse Relief must file which IRS form:**

- A. Form 433-A (OIC)
- B. Form 9465
- C. Form 656-L
- D. Form 8857

**28. Generally, how long does a taxpayer have to seek Innocent Spouse Relief from the IRS:**

- A. three years from the date he or she has actual knowledge of all relevant information
- B. two years from the date the IRS began attempting to collect the tax
- C. two years from the date of separation or divorce
- D. there is no deadline

**29. When is a taxpayer considered to have an understated tax:**

- A. if a taxpayer determines that he or she owes less than the amount stated on his or her return
- B. if the IRS owes the taxpayer a refund for an overpayment of taxes
- C. if the IRS determines that the amount a taxpayer reported on his or her return should actually be more
- D. if the IRS determines that the amount a taxpayer stated on his or her return should actually be less

**30. Under innocent spouse relief, when deciding whether or not it is unfair to hold a taxpayer responsible for an understated tax, the IRS will consider all of the following except:**

- A. if the taxpayer significantly benefitted from it
- B. if the taxpayer was deserted by his or her spouse
- C. if the taxpayer had children
- D. if the taxpayer and his or her spouse were divorced or separated

**31. Which one of the following statements is not true regarding separation of liability relief:**

- A. refunds are allowed
- B. the taxpayer must have filed a joint return
- C. it is only applicable toward the unpaid liabilities that resulted from the understated tax
- D. to seek this relief, the taxpayer needs to file Form 8857

**32. Which one of the following does not increase the taxpayer's chances that equitable relief will be granted:**

- A. the taxpayer was abused by his or her spouse
- B. the taxpayer was in poor mental health
- C. the taxpayer was in poor physical health
- D. the taxpayer was married

**33. Which of the following is correct regarding Chapter 7 bankruptcy cases:**

- A. the debtor is not allowed to keep any property
- B. the trustee sells nonexempt assets and uses the proceeds to pay creditors
- C. the trustee develops a repayment plan lasting no more than three years
- D. the debtor can only be an individual

**34. The fee to file for Chapter 7 bankruptcy may be waived if the debtor's income is less than what percent of the poverty level:**

- A. 100%
- B. 150%
- C. 175%
- D. 200%

**35. Which one of the following is not information the debtor needs to provide in order to complete the Official Bankruptcy Forms:**

- A. a list of his or her creditors
- B. the source of his or her income
- C. a detailed description of his or her educational background
- D. a list of his or her property

**36. What is the primary role of a trustee in a Chapter 7 bankruptcy case:**

- A. to counsel the debtor and help them develop better financial management skills
- B. to ensure that the IRS is repaid before other creditors
- C. to liquidate nonexempt assets and maximize recovery for unsecured creditors
- D. to ensure that there was no fraud associated with the bankruptcy petition

**37. What is Chapter 11 bankruptcy typically used for:**

- A. to reorganize a business
- B. to liquidate an individual
- C. to liquidate a business
- D. to reorganize a non-profit corporation

**38. Who ordinarily serves on a creditors' committee in a Chapter 11 bankruptcy case:**

- A. the IRS
- B. the debtor's attorney
- C. unsecured creditors of the debtor
- D. secured creditors of the debtor

**39. Debtors in Chapter 13 bankruptcy are generally given how many years to pay off their debts:**

- A. one to two
- B. two to three
- C. three to five
- D. up to five

**40. In order for a federal income tax debt to be discharged, all of the following conditions must be met except:**

- A. the return associated with the tax debt was due at least 3 years prior to the taxpayer filing for bankruptcy
- B. the tax debt was connected to a return filed at least 2 years prior to the taxpayer filing for bankruptcy
- C. the tax return cannot be frivolous
- D. the taxpayer cannot have ever been charged with a crime

***Congratulations –***

***you've completed the exam!***

**THIS PAGE INTENTIONALLY  
LEFT BLANK.**



**TAX DEBT RELIEF AND THE IRS #7175/QAS7175 (8 CPE HOURS)  
ANSWER SHEET (6/14)**



**IMPORTANT NOTE:** For certification, this answer sheet must be completed and submitted to PES for grading within one year from the date of purchase. Please use **BLACK INK** and **PRINT** for quicker processing – thank you.

Full Name (as it appears on your license) \_\_\_\_\_

Address ( Home  Work ) \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Daytime Phone (        ) \_\_\_\_\_ E-mail \_\_\_\_\_

License Number \_\_\_\_\_ State \_\_\_\_\_ Exp Date: \_\_\_\_/\_\_\_\_/\_\_\_\_ Are you a:  CPA  CFP  EA (check all that apply)

If course was ordered by another party, please indicate their name here: \_\_\_\_\_

**GRADING OPTIONS – Please choose only ONE of the following:**

**ONLINE GRADING** – Visit our website at [www.mypescpe.com](http://www.mypescpe.com). Login to your account (if you are a first-time user, you must set up a new user account). Click **MY CPE**. Click My CPE Exams in Progress. (If your exam is not already located in this folder, click “Add Exam Previously Purchased” and follow the instructions.) Click Take This Exam.

Mail – Mail your exam to: PES, 4208 Douglas Blvd., Ste 50, Granite Bay, CA 95746

Fax – Fax your exam to (916) 791-4099 and choose one of the following options:  
 mail my results only or  fax (\_\_\_\_) \_\_\_\_\_  phone my results to: (\_\_\_\_) \_\_\_\_\_

**PLEASE INDICATE YOUR ANSWER BY FILLING IN THE APPROPRIATE CIRCLE**

- |     | A                     | B                     | C                     | D                     |     | A                     | B                     | C                     | D                     |
|-----|-----------------------|-----------------------|-----------------------|-----------------------|-----|-----------------------|-----------------------|-----------------------|-----------------------|
| 1.  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 21. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 2.  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 22. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 3.  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 23. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 4.  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 24. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 5.  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 25. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 6.  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 26. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 7.  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 27. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 8.  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 28. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 9.  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 29. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 10. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 30. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 11. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 31. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 12. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 32. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 13. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 33. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 14. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 34. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 15. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 35. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 16. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 36. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 17. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 37. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 18. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 38. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 19. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 39. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 20. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | 40. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

***Please complete the attached course evaluation - your opinion is extremely valuable!***

## TAX DEBT RELIEF AND THE IRS #7175/QAS7175 - COURSE EVALUATION

Rate on a scale of 1-10 with 1 being poor and 10 being excellent.

1. The course met the course objectives described in the promotional material. \_\_\_\_\_
2. The course was up to date, held my interest, was timely, and effective. \_\_\_\_\_
3. The course materials were understandable, valuable, and suitable for a correspondence course. \_\_\_\_\_
4. The amount of advance knowledge and stated prerequisites were appropriate. \_\_\_\_\_
5. The completion time was appropriate for the number of credits allowed. \_\_\_\_\_
6. The course met my professional education needs. \_\_\_\_\_

***Please answer the following questions – mark/rate any and all that may apply***

1. How would you rate PES's  
 order desk \_\_\_\_\_  
 customer service \_\_\_\_\_

2. What can PES do to keep you as a valued customer? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Any other comments regarding this course or our company would be appreciated. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. What other courses/subjects would you like to see PES offer in the future? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**PLEASE MAIL YOUR EVALUATION TO:  
Professional Education Services, LP  
4208 Douglas Blvd., Ste 50 • Granite Bay, CA 95746**

**THIS PAGE INTENTIONALLY  
LEFT BLANK.**

