

ENROLLED AGENT PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. Which of the following types of income is not subject to the Net Investment Income Tax?**
 - A. Capital gains
 - B. Passive business activities
 - C. Municipal bond interest
 - D. Stocks

- 2. What is the consequence for not filing Form 8938 after an IRS notice of failure to disclose?**
 - A. A monetary fine
 - B. An increase in tax rate
 - C. A potential audit
 - D. A restriction on future filings

- 3. What is the maximum adjusted gross income limit for qualifying for the Earned Income Credit for taxpayers with three qualifying children?**
 - A. \$47,000
 - B. \$50,000
 - C. \$53,000
 - D. \$56,000

- 4. What is the maximum credit amount available for a couple adopting a special needs child?**
 - A. \$1,000
 - B. \$2,500
 - C. \$2,800
 - D. \$14,440

- 5. What must a surviving spouse file to claim the deceased spousal unused exclusion?**
 - A. Form 1040
 - B. Form 706
 - C. Gift Tax Return
 - D. None of the above

6. If a taxpayer owes \$400 in tax and qualifies for an American Opportunity Tax Credit of \$2,500, what is the expected refund?
- A. \$0
 - B. \$840
 - C. \$1,000
 - D. \$2,100
7. Which individual may not be eligible to be claimed as a dependent?
- A. Foreign exchange student
 - B. Foreign adopted child
 - C. Resident of Canada
 - D. U.S. resident alien
8. Which exception does not apply to the time limit for filing an amended return?
- A. Bad debt or worthless security
 - B. Injuries sustained in a combat zone
 - C. An extended period of unemployment
 - D. Foreign tax credit or deduction
9. In 2021, the maximum contribution for Social Security tax is determined at what percentage?
- A. 6.0%
 - B. 6.2%
 - C. 7.5%
 - D. 8.0%
10. What is the effect of portability on estate tax exclusion?
- A. It reduces the taxable estate of the surviving spouse
 - B. It permits transfer of unused exclusion to a beneficiary
 - C. It allows for higher exclusion for future gifts
 - D. It has no effect on estate tax exclusion

Answers

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1. C
2. A
3. A
4. D
5. B
6. B
7. A
8. C
9. B
10. A

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Explanations

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1. Which of the following types of income is not subject to the Net Investment Income Tax?

- A. Capital gains
- B. Passive business activities
- C. Municipal bond interest**
- D. Stocks

Municipal bond interest is not subject to the Net Investment Income Tax (NIIT). The NIIT is a tax imposed on certain high-income individuals, estates, and trusts that applies to net investment income, which includes interest, dividends, capital gains, rental income, and other investment-related income. However, interest earned from municipal bonds is generally exempt from federal income tax, making it also exempt from the NIIT. This tax advantage is one reason why many investors are attracted to municipal bonds, especially those in higher tax brackets. In contrast, capital gains, passive business activities, and stocks can generate income that falls within the scope of the NIIT, as they produce net investment income, especially for taxpayers whose modified adjusted gross income exceeds the NIIT thresholds. Therefore, the exemption of municipal bond interest from the NIIT makes it a unique category of income that does not contribute to the taxable amount under this specific tax.

2. What is the consequence for not filing Form 8938 after an IRS notice of failure to disclose?

- A. A monetary fine**
- B. An increase in tax rate
- C. A potential audit
- D. A restriction on future filings

The consequence of not filing Form 8938 after receiving an IRS notice of failure to disclose is a monetary fine. Form 8938 is used by certain individuals to report their specified foreign financial assets as part of their annual tax return requirements. When the IRS sends a notice regarding a failure to disclose, it indicates the importance of compliance with this requirement. If an individual does not comply following the notice, they can be subject to significant penalties. The IRS imposes fines for each month the form is not filed, with a maximum penalty cap. This serves as an incentive for taxpayers to report their foreign financial assets accurately and to adhere to the compliance requirements established by the IRS. This penalty structure underscores the seriousness with which the IRS views the disclosure of foreign assets, which is part of broader efforts to combat tax evasion. In summary, the correct answer highlights the specific financial repercussions, emphasizing the importance of timely and accurate reporting to avoid costly penalties.

3. What is the maximum adjusted gross income limit for qualifying for the Earned Income Credit for taxpayers with three qualifying children?

- A. \$47,000**
- B. \$50,000
- C. \$53,000
- D. \$56,000

The maximum adjusted gross income (AGI) limit for qualifying for the Earned Income Credit (EIC) can vary depending on the number of qualifying children a taxpayer has. For taxpayers with three qualifying children, the AGI limit is set at a specific threshold defined by the IRS. As of the tax year in question, the correct limit for those with three qualifying children is indeed \$47,000. This amount represents the maximum income a taxpayer can earn to still be eligible for the EIC, which is designed to assist low to moderate-income working individuals and families, especially those with children. If a taxpayer's adjusted gross income exceeds this limit, they will not qualify for the credit, which emphasizes the importance of knowing these thresholds for tax planning purposes. Other options presented reflect higher income limits that do not apply to three qualifying children, demonstrating the structured qualifications set forth by the IRS to target the credit effectively toward those most in need.

4. What is the maximum credit amount available for a couple adopting a special needs child?

- A. \$1,000
- B. \$2,500
- C. \$2,800
- D. \$14,440**

The maximum credit amount available for a couple adopting a special needs child is indeed \$14,440. This substantial credit allows adoptive parents to recoup some of the costs associated with the adoption process, which can be significant. The adoption tax credit is designed to assist with the financial burden that often accompanies adopting a child, and for special needs adoptions, the maximum amount is set higher to recognize the unique challenges and expenses that these adoptions may entail. This credit is fully refundable, meaning that even if the credit exceeds the parents' tax liability, they can still receive the excess amount as a refund. Understanding the specifics of adoption tax credits, including the distinctions made for special needs adoptions, is essential for prospective adoptive parents to make informed financial decisions and take full advantage of available tax benefits.

5. What must a surviving spouse file to claim the deceased spousal unused exclusion?

- A. Form 1040
- B. Form 706**
- C. Gift Tax Return
- D. None of the above

To claim the deceased spousal unused exclusion (DSUE), a surviving spouse must file Form 706, the United States Estate (and Generation-Skipping Transfer) Tax Return. This form is necessary because it allows the executor of the deceased spouse's estate to elect to transfer any unused exclusion amount to the surviving spouse. The DSUE amount enables the surviving spouse to use the deceased spouse's unused estate and gift tax exclusion when they eventually pass away or make significant lifetime gifts, thereby potentially reducing their own estate's tax liability. Filing Form 706 ensures that the specifics of the deceased spouse's estate and any unused exclusion amounts are officially recorded, allowing the survivor to take advantage of these benefits. The form must be filed within nine months after the date of death, unless an extension is granted. The correct choice reflects this critical requirement in estate planning and tax law. Other forms like Form 1040 and a Gift Tax Return do not serve this specific function of claiming the DSUE, hence they are not suitable options for this scenario.

6. If a taxpayer owes \$400 in tax and qualifies for an American Opportunity Tax Credit of \$2,500, what is the expected refund?

- A. \$0
- B. \$840**
- C. \$1,000
- D. \$2,100

To determine the expected refund, it's important to first understand how the American Opportunity Tax Credit (AOTC) works. The AOTC is a partially refundable tax credit available to eligible students and their families for qualified education expenses. It allows taxpayers to claim a credit of up to \$2,500 per eligible student. In this scenario, the taxpayer owes \$400 in tax. The AOTC can be used to offset this tax liability. When the taxpayer applies the \$2,500 AOTC against their owed tax, they effectively reduce their tax liability to \$0. Since the AOTC is partially refundable, that means if the credit surpasses the actual tax owed, the taxpayer can receive a portion of the credit back as a refund. Specifically, up to 40% of the AOTC, or \$1,000, is refundable. Thus, with a \$2,500 credit, after reducing the \$400 tax liability to \$0, the taxpayer can receive the refundable portion. The calculation for the refund then becomes \$1,000, which is the refundable part of the AOTC. Therefore, the expected refund from the tax scenario presented would indeed be \$1,000, making this the correct answer

7. Which individual may not be eligible to be claimed as a dependent?

A. Foreign exchange student

B. Foreign adopted child

C. Resident of Canada

D. U.S. resident alien

When determining eligibility to be claimed as a dependent, several criteria must be met regarding the individual's relationship to the taxpayer, residency, age, and support provided. A foreign exchange student typically does not meet the residency requirement necessary to be considered a dependent under IRS rules. For a dependent to qualify, they generally must be a U.S. citizen, U.S. resident alien, or a resident of Canada or Mexico. A foreign exchange student, while living temporarily in the United States, usually retains their foreign status and does not satisfy the residency requirement. In comparison, a foreign adopted child could potentially qualify as a dependent, provided they meet other criteria and were adopted legally according to U.S. laws. A resident of Canada may also be eligible if they meet the conditions of residency as defined by the IRS, particularly if they are considered a qualifying resident. Lastly, a U.S. resident alien is usually eligible as a dependent because they meet the citizenship test and the residency requirement, along with other dependencies' qualifications. Therefore, the foreign exchange student is the most likely individual who may not meet the necessary requirements to be claimed as a dependent in a tax situation.

8. Which exception does not apply to the time limit for filing an amended return?

A. Bad debt or worthless security

B. Injuries sustained in a combat zone

C. An extended period of unemployment

D. Foreign tax credit or deduction

The correct answer is based on the understanding of the specific exceptions to the general time limit for filing an amended tax return. The time limit for amending a return is typically three years from the due date of the return or two years from the date the tax was paid, whichever is later. Some exceptions extend this time limit, such as those related to bad debts or worthless securities, injuries sustained in a combat zone, and certain foreign tax credits or deductions. Each of these situations warrants additional considerations that allow taxpayers more time to file amended returns. For example, if a taxpayer discovers a bad debt has become worthless, they may need more time beyond the typical limit to amend their return accordingly. In contrast, an extended period of unemployment does not provide a valid exception for extending the time limit for filing an amended return. Unemployment itself does not alter the established deadlines set by the IRS; thus, it does not qualify for an extension of time to file an amendment. Understanding the specific conditions that create exceptions is vital for accurately interpreting tax regulations regarding amended returns.

9. In 2021, the maximum contribution for Social Security tax is determined at what percentage?

- A. 6.0%
- B. 6.2%**
- C. 7.5%
- D. 8.0%

The correct answer is 6.2%. In 2021, the Social Security tax rate for employees is indeed set at 6.2% of their earnings, allowing them to contribute to the Social Security trust fund, which provides benefits to retirees and disabled individuals. This percentage applies to income up to a certain limit known as the Social Security wage base, which was capped at \$142,800 for that year. Understanding this percentage is important for both taxpayers and practitioners, as it affects payroll calculations and the overall tax liability of employees. The funding structure for Social Security relies on these contributions, reinforcing the significance of the rate and its implications for future benefit eligibility. While other percentages provided might relate to different contexts or tax rates, they do not represent the Social Security tax rate for the year in question. The 6.2% rate is crucial for accurate payroll processing and employee income reporting.

10. What is the effect of portability on estate tax exclusion?

- A. It reduces the taxable estate of the surviving spouse**
- B. It permits transfer of unused exclusion to a beneficiary
- C. It allows for higher exclusion for future gifts
- D. It has no effect on estate tax exclusion

Portability pertains to the ability of a surviving spouse to utilize the unused estate tax exclusion of their deceased spouse. Specifically, when one spouse dies, they may leave behind a gift exclusion that was not fully used during their lifetime. Portability allows the surviving spouse to add this unused exclusion amount to their own estate tax exclusion limit. Therefore, the correct understanding is that portability effectively reduces the taxable estate of the surviving spouse by allowing them to use the combined exclusion amounts from both spouses. This means that the surviving spouse's estate can potentially benefit from a greater exclusion from the estate tax, leading to a lower taxable estate and possibly reducing the amount of tax owed upon their death. The other choices do not accurately depict the function of portability. For instance, transferring unused exclusion to a beneficiary isn't how portability operates; it's about the surviving spouse's tax situation. Similarly, portability does not influence future gift exclusions nor does it have no effect on estate tax exclusion, as it directly enhances the financial benefits available to the surviving spouse in terms of their estate tax responsibilities.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://enrolledagent.examzify.com>

We wish you the very best on your exam journey. You've got this!

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