

Tax Administration Fishbowl Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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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. What does a compromise penalty do?**
 - A. Civil penalty**
 - B. Criminal liability**
 - C. Tax credit**
 - D. Interest deferral**

- 2. What are the grounds for abatement?**
 - A. The tax or any portion thereof appears to be unjustly or excessively assessed, or the administration and collection costs do not justify the collection of the amount.**
 - B. The taxpayer requests abatement due to hardship**
 - C. The tax due is disputed on merits**
 - D. The tax amount is within tolerance and no abatement is possible**

- 3. What is the purpose of a Letter of Authority (LOA) in tax assessment?**
 - A. It authorizes the CIR to examine records for the purpose of tax assessment.**
 - B. It authorizes the taxpayer to challenge assessments.**
 - C. It automatically concludes an audit without examining documents.**
 - D. It cancels the assessment if tax due is small.**

- 4. Which of the following is NOT a typical stage in the IRS examination and appeals process?**
 - A. Filing a petition with the Tax Court.**
 - B. Case selection.**
 - C. Examination.**
 - D. Appeals review.**

- 5. When should the administrative or judicial protest (after receiving an FDDA) be filed?**
 - A. Within 60 days from receipt of FDDA**
 - B. Within 30 days from receipt of FDDA**
 - C. Within 90 days from receipt of FDDA**
 - D. Within 15 days from receipt of FDDA**

- 6. Which of the following is an indicator that a taxpayer may be the victim of identity theft in tax matters?**
- A. Duplicate or suspicious returns.**
 - B. Unexpected refunds.**
 - C. Notices about identity theft.**
 - D. All of the above.**
- 7. Does Sec. 5 allow inquiry into bank deposits?**
- A. Yes, bank deposits can be examined**
 - B. Only with a court order**
 - C. No, the BIR's power does not allow examination of bank deposits because of bank secrecy**
 - D. It may be allowed only for foreign accounts**
- 8. Under Sec 7 of the NIRC, to whom may the CIR delegate the powers vested in him?**
- A. To any subordinate officials with the rank equivalent to a division chief or higher**
 - B. Only to the Bureau Chief**
 - C. Cannot delegate any power**
 - D. To private external consultants**
- 9. What is the purpose of Form 8821 (Tax Information Authorization) in agency communication?**
- A. It authorizes disclosure of confidential tax information to a designated representative for tax matters.**
 - B. It authorizes a joint return.**
 - C. It grants power of attorney for collection actions.**
 - D. It requests a copy of tax transcripts.**
- 10. What is the required response upon receiving a 48-hour notice under Oplan Kandado?**
- A. Ignore the notice.**
 - B. Explain under oath why the business should not be suspended or closed.**
 - C. Immediately shut down operations permanently.**
 - D. Pay the deficiency tax in full.**

Answers

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

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Explanations

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1. What does a compromise penalty do?

- A. Civil penalty
- B. Criminal liability**
- C. Tax credit
- D. Interest deferral

A compromise penalty is tied to criminal liability rather than just a civil consequence. In tax enforcement, resolving a dispute through a compromise can involve acknowledging and facing potential criminal exposure for willful or fraudulent behavior. This distinguishes it from purely civil penalties, and from actions like tax credits or deferring interest, which affect tax amounts or timing but not criminal risk. So the concept being tested is that a compromise penalty relates to criminal liability.

2. What are the grounds for abatement?

- A. The tax or any portion thereof appears to be unjustly or excessively assessed, or the administration and collection costs do not justify the collection of the amount.**
- B. The taxpayer requests abatement due to hardship
- C. The tax due is disputed on merits
- D. The tax amount is within tolerance and no abatement is possible

Abatement grounds focus on fairness and practicality in collecting taxes. It can be granted when the amount assessed is unjust or excessive, such as due to errors in calculation, misapplied exemptions, or wrong tax rates. It also covers situations where the costs of collecting the tax would be higher than the tax itself, making enforcement inefficient or impractical. This is why the stated ground is the best answer: it directly captures two legitimate reasons for abatement—an unjust or excessive assessment and the idea that administrative and collection costs may not justify pursuing the amount owed. Hardship alone, disputes on merits, or a tax amount that's within tolerance don't automatically justify abatement. Hardship might lead to other relief or payment arrangements, disputes on merits are typically resolved through appeals, and if the tax is small relative to the costs of collection, agencies may still decide not to abate.

3. What is the purpose of a Letter of Authority (LOA) in tax assessment?

- A. It authorizes the CIR to examine records for the purpose of tax assessment.**
- B. It authorizes the taxpayer to challenge assessments.**
- C. It automatically concludes an audit without examining documents.**
- D. It cancels the assessment if tax due is small.**

A Letter of Authority is a formal document that gives the Commissioner of Internal Revenue (or his authorized officers) the legal right to examine a taxpayer's books, records, and other documents for the purpose of tax assessment. It specifies who may search, what records may be reviewed (such as books of accounts, ledgers, receipts, and tax returns), and for what time period. This authority enables the tax office to collect and verify information needed to compute the correct tax due and to support any assessment with proper due process. The other statements don't fit because a LOA isn't a tool for appealing or challenging assessments, it isn't a means to conclude an audit automatically without reviewing documents, and it doesn't cancel an assessment simply because the tax due is small.

4. Which of the following is NOT a typical stage in the IRS examination and appeals process?

- A. Filing a petition with the Tax Court.**
- B. Case selection.**
- C. Examination.**
- D. Appeals review.**

The IRS audit process unfolds in three main administrative steps: case selection for review, the examination (the actual audit of the return), and then an appeals review where the Office of Appeals tries to resolve disagreements without court action. Filing a petition with the Tax Court sits outside that internal sequence. It's a path to judicial review of an IRS decision, handled in a separate court system, and typically comes after the IRS has issued a deficiency or after the taxpayer has completed, or opted not to pursue, the Appeals process. Because it occurs outside the IRS's administrative workflow, it is not considered a typical stage in the IRS examination and appeals process.

5. When should the administrative or judicial protest (after receiving an FDDA) be filed?
- A. Within 60 days from receipt of FDDA
 - B. Within 30 days from receipt of FDDA**
 - C. Within 90 days from receipt of FDDA
 - D. Within 15 days from receipt of FDDA

After you receive an FDDA, you have to challenge it within a 30-day window. This deadline applies regardless of whether you pursue an administrative protest with the Commissioner or a judicial protest with the Court of Tax Appeals. The countdown starts on the day you actually receive the FDDA and runs for 30 calendar days. A timely protest must clearly state the grounds and include supporting documents; if you file within this period, your challenge will be considered. If you miss the window, the FDDA generally becomes final and executory, with remedies limited to what remains available under the law.

6. Which of the following is an indicator that a taxpayer may be the victim of identity theft in tax matters?
- A. Duplicate or suspicious returns.
 - B. Unexpected refunds.
 - C. Notices about identity theft.
 - D. All of the above.**

Warning signs of identity theft in tax matters come from recognizing multiple red flags that can show someone is using your information to file taxes. Duplicate or suspicious returns occur when a thief files a return using your data, which can lead to a rejected e-file or a notification about a duplicate filing. Unexpected refunds signal that you're receiving a refund you didn't expect or that the amount differs from what you anticipated, suggesting fraudulent activity. Notices about identity theft are direct alerts from the IRS when they detect potential identity theft or irregular activity on your tax account. Seeing any of these signs is a strong indicator that identity theft may be involved, and encountering all of them together makes the case even more clear. So the best choice is all of the above.

7. Does Sec. 5 allow inquiry into bank deposits?
- A. Yes, bank deposits can be examined
 - B. Only with a court order
 - C. No, the BIR's power does not allow examination of bank deposits because of bank secrecy**
 - D. It may be allowed only for foreign accounts

Bank secrecy protects the details of a person's bank deposits from disclosure. Section 5 does not override that protection, so the BIR cannot require or rely on this section to examine bank deposits. In practice, the BIR's audit powers focus on the taxpayer's books and records that the person themselves maintains or files, not on bank deposit records that are shielded by bank secrecy. Only through a separate legal mechanism (such as a specific statutory provision or a court order) could such information be disclosed, which is not described by this section. That's why the correct view is that bank deposits cannot be examined under this rule due to bank secrecy.

8. Under Sec 7 of the NIRC, to whom may the CIR delegate the powers vested in him?

A. To any subordinate officials with the rank equivalent to a division chief or higher

B. Only to the Bureau Chief

C. Cannot delegate any power

D. To private external consultants

Delegation of powers is meant to keep tax administration efficient by letting the Commissioner act through trusted subordinates while preserving overall accountability. Under Sec 7, the Commissioner of Internal Revenue may assign his powers to subordinate officials who hold a rank at least equivalent to a division chief or higher. This ensures the people acting on his behalf have sufficient authority and responsibility to carry out the duties, such as issuing certain notices or performing examinations within delegated limits, without requiring the Commissioner's personal involvement in every case. Delegating to private external consultants isn't appropriate for official powers, and limiting delegation only to the Bureau Chief would unduly constrain day-to-day operations. The arrangement to empower division-chief-level or higher officials fits the practical needs of administering tax law while maintaining proper governance.

9. What is the purpose of Form 8821 (Tax Information Authorization) in agency communication?

A. It authorizes disclosure of confidential tax information to a designated representative for tax matters.

B. It authorizes a joint return.

C. It grants power of attorney for collection actions.

D. It requests a copy of tax transcripts.

Form 8821 is a tool to authorize disclosure of confidential tax information to a designated person or organization for tax matters. When you sign it, the IRS is allowed to share your tax data with that recipient so they can help you review, understand, or manage your tax situation. The key point is that this form covers information access only; it does not give the designated person any authority to act for you before the IRS, file returns, or make changes on your behalf. If you want someone to represent you and take actions before the IRS, you would use a power of attorney form (such as Form 2848). If you simply need someone to receive copies of transcripts or tax information, Form 8821 is the right vehicle, and for requesting transcripts specifically you would use a form like Form 4506-T.

10. What is the required response upon receiving a 48-hour notice under Oplan Kandado?

A. Ignore the notice.

B. Explain under oath why the business should not be suspended or closed.

C. Immediately shut down operations permanently.

D. Pay the deficiency tax in full.

When a 48-hour notice is issued under Oplan Kandado, the required response is to explain, under oath, why the business should not be suspended or closed. This notice acts as a show-cause opportunity, allowing the taxpayer to present defenses, context, and supporting documents within a short window. The explanation under oath ensures the information is formally recorded and evaluated in deciding whether suspension or closure is warranted. Ignoring the notice, shutting down permanently, or paying the deficiency tax in full at that moment aren't the actions the notice calls for; ignoring it can lead to automatic suspension or closure, paying the deficiency may be needed later but doesn't serve as the immediate defense, and permanent shutdown isn't the mandated response. Prepare a sworn explanation with any relevant documents and, if needed, request a hearing or extension to provide a full defense.

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://taxadminfishbowl.examzify.com>

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

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