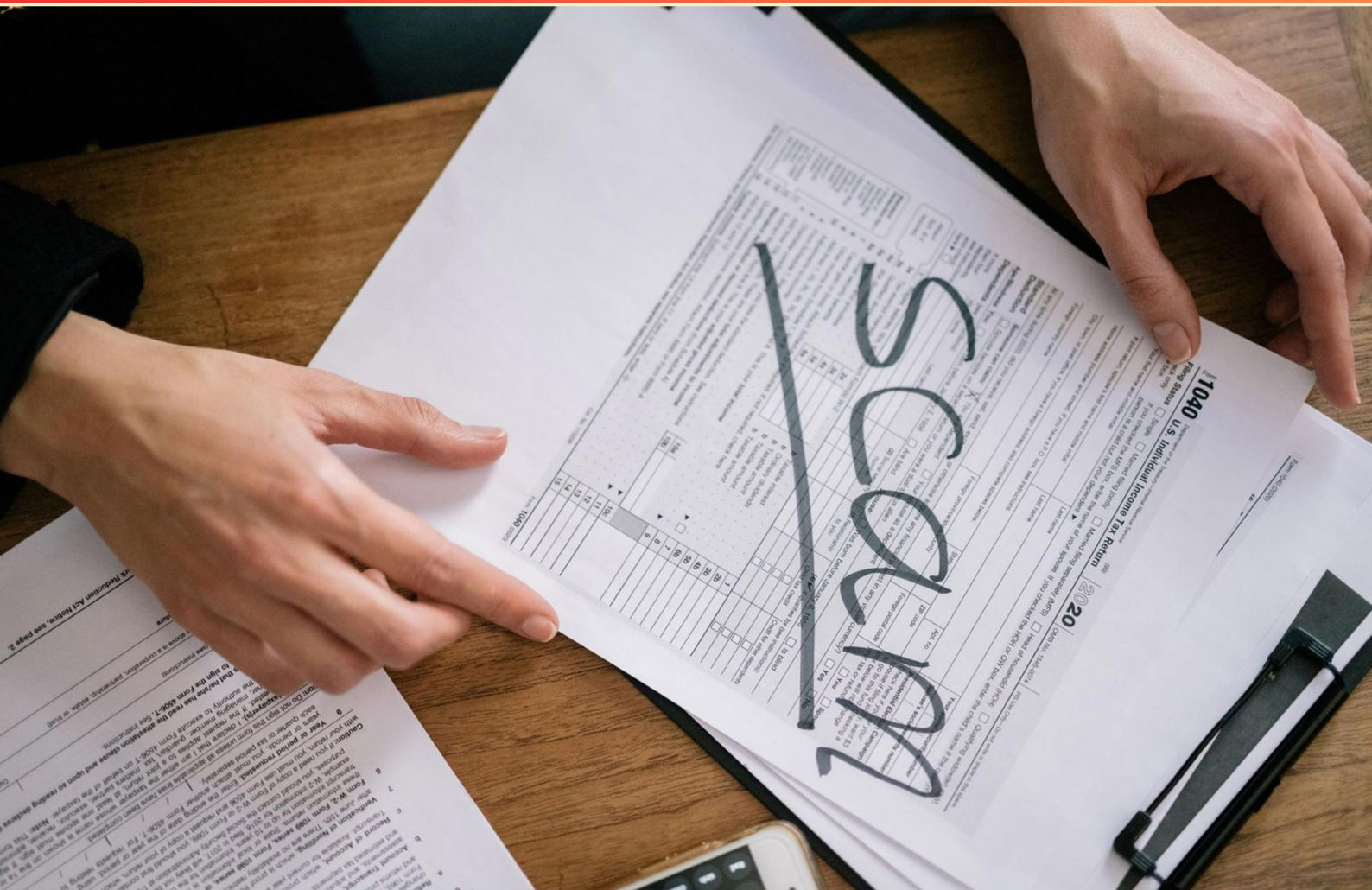


TAX ADMINISTRATION FISHBOWL PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

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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 constitutes a violation of the 15-day period to reply?**
 - A. FAN issued before lapse of 15 days
 - B. PAN served properly to taxpayer
 - C. A complete tax return filed
 - D. Taxpayer request for extension
- 2. How many divisions comprise the Court of Tax Appeals and how many Justices serve per division?**
 - A. Three divisions with three Justices each
 - B. Two divisions with four Justices each
 - C. Four divisions with two Justices each
 - D. One division with nine Justices
- 3. What are common penalties that may be assessed for noncompliance, and what is their overarching purpose?**
 - A. Failure-to-file, failure-to-pay, accuracy-related penalties, and fraud penalties; they deter noncompliance and encourage timely and accurate reporting.
 - B. Only interest charges; there are no penalties.
 - C. Penalties are only for fraud.
 - D. Penalties are purely revenue-raising with no deterrent aim.
- 4. 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
- 5. What are the two types of surcharges?**
 - A. 10% and 30%
 - B. 6% and 12%
 - C. 40% and 80%
 - D. 25% and 50%

- 6. Which statement correctly describes the CTA's divisions and division leadership?**
- A. The CTA is organized into three divisions, each chaired by a separate judge.
 - B. The Presiding Justice and the two most senior Associate Justices serve as Chairpersons of the three Divisions.
 - C. There are two divisions, and the Chairperson is the Chief Justice.
 - D. The CTA only sits En Banc.
- 7. What is the effect of a taxpayer's failure to respond to a Notice of Discrepancy?**
- A. The taxpayer is deemed to have waived his right to participate in that stage, and the Notice of Discrepancy ripens into a Preliminary Assessment Notice (PAN); however, the taxpayer may still question the assessments upon PAN and FAN.
 - B. The Notice of Discrepancy is automatically dismissed and no assessment can be issued.
 - C. The taxpayer is permanently barred from challenging any assessment.
 - D. The case is immediately forwarded to the court for resolution.
- 8. What does a compromise penalty do?**
- A. Civil penalty
 - B. Criminal liability
 - C. Tax credit
 - D. Interest deferral
- 9. How is taxpayer confidentiality protected in data processing and information sharing?**
- A. Through legal prohibitions on disclosure, restricted access, encryption, audit trails, and privacy training.
 - B. Primarily through physical security measures in offices only.
 - C. By ignoring data sharing when it concerns private information.
 - D. By publicly posting all processed taxpayer data to increase transparency.

10. Is the Memorandum of Assignment (MOA) authorizing a Revenue Officer to conduct an audit valid?

- A. Yes. The MOA is valid.
- B. No. The MOA is void because the RDO is not authorized to sign LOA.
- C. MOA is valid if the LOA is not required.
- D. MOA valid if signed by any officer.

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Answers

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

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Explanations

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1. Which of the following constitutes a violation of the 15-day period to reply?

A. FAN issued before lapse of 15 days

B. PAN served properly to taxpayer

C. A complete tax return filed

D. Taxpayer request for extension

The key idea is that there is a defined 15-day window for a taxpayer to respond after receiving a notice. That period must be observed to ensure the taxpayer has a fair chance to prepare and reply. Issuing a FAN before those 15 days have lapsed is premature—the notice is being sent too early and shortens or bypasses the required response time, violating the procedure. In contrast, serving the PAN correctly, filing a complete tax return, or a taxpayer requesting an extension are all consistent with proper process and do not constitute a violation of the 15-day rule.

2. How many divisions comprise the Court of Tax Appeals and how many Justices serve per division?

A. Three divisions with three Justices each

B. Two divisions with four Justices each

C. Four divisions with two Justices each

D. One division with nine Justices

Three divisions with three Justices each. This setup reflects how the Court of Tax Appeals is organized to handle cases efficiently through three-member panels, totaling nine justices. That panel structure supports timely decisions and lets the full Court (en banc) hear matters when needed. The other options don't fit the established arrangement: fewer or more divisions or different panel sizes would not align with the court's typical configuration, and a single division with all nine justices would remove the panel-based approach used for most cases.

3. What are common penalties that may be assessed for noncompliance, and what is their overarching purpose?

A. Failure-to-file, failure-to-pay, accuracy-related penalties, and fraud penalties: they deter noncompliance and encourage timely and accurate reporting.

B. Only interest charges; there are no penalties.

C. Penalties are only for fraud.

D. Penalties are purely revenue-raising with no deterrent aim.

Penalties in tax administration serve to deter noncompliance and encourage timely, accurate reporting. They cover different missteps: not filing a return on time, not paying the tax owed, penalties tied to inaccuracies that understate tax due, and penalties for fraud. Each type targets a specific risky behavior, so the overall system uses a mix of consequences to discourage lagging behind rules, ensure correct information, and promote honest reporting. While interest charges may accrue on unpaid amounts, they are separate from penalties and reflect the cost of money over time rather than a punitive response. The idea behind these penalties isn't just to raise money but to influence behavior and keep the tax system functioning with voluntary compliance.

4. 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.

5. What are the two types of surcharges?

- A. 10% and 30%
- B. 6% and 12%
- C. 40% and 80%
- D. 25% and 50%**

Surcharge in tax context is an extra charge added on top of the tax due to noncompliance, to encourage timely and truthful payments. In this framework there are two levels of surcharges: one at 25% and another at 50%. The 25% surcharge is used for ordinary noncompliance, such as late payment or late filing, providing a moderate penalty. The 50% surcharge is reserved for more serious offenses, like deliberate evasion or fraud, delivering a stronger deterrent. This two-tier structure lets penalties scale with the severity of the behavior, making the system fairer and more effective. Other percentage options don't fit this established two-tier pattern.

6. Which statement correctly describes the CTA's divisions and division leadership?

- A. The CTA is organized into three divisions, each chaired by a separate judge.
- B. The Presiding Justice and the two most senior Associate Justices serve as Chairpersons of the three Divisions.**
- C. There are two divisions, and the Chairperson is the Chief Justice.
- D. The CTA only sits En Banc.

The leadership structure uses three divisions, each run under a chairperson. These chairpersons are the Presiding Justice plus the two most senior Associate Justices. This setup means one of them presides over each division, giving the court experienced, distributed leadership across all divisions. It also clarifies why options proposing two divisions or leadership by a single Chief Justice don't fit—the court isn't organized with only two divisions, and the Chief Justice alone doesn't chair all divisions. En Banc sessions happen for specific, full-court matters, not the standard division leadership arrangement.

7. What is the effect of a taxpayer's failure to respond to a Notice of Discrepancy?

- A. The taxpayer is deemed to have waived his right to participate in that stage, and the Notice of Discrepancy ripens into a Preliminary Assessment Notice (PAN); however, the taxpayer may still question the assessments upon PAN and FAN.
- B. The Notice of Discrepancy is automatically dismissed and no assessment can be issued.
- C. The taxpayer is permanently barred from challenging any assessment.
- D. The case is immediately forwarded to the court for resolution.

When the tax authority sends a Notice of Discrepancy, it invites the taxpayer to explain or correct the discrepancy. If the taxpayer does not respond within the allotted time, that inaction is treated as a waiver of the participation right at that stage. The Notice of Discrepancy then ripens into a Preliminary Assessment Notice, meaning the case moves forward with the proposed assessment. Importantly, the taxpayer still has an avenue to challenge the proposed figures later, specifically at the PAN and again at the FAN. This structure keeps the audit progressing while preserving the taxpayer's opportunity to contest the assessment through the formal protest or appeal processes as the case develops.

8. 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.

9. How is taxpayer confidentiality protected in data processing and information sharing?

A. Through legal prohibitions on disclosure, restricted access, encryption, audit trails, and privacy training.

B. Primarily through physical security measures in offices only.

C. By ignoring data sharing when it concerns private information.

D. By publicly posting all processed taxpayer data to increase transparency.

Protecting taxpayer confidentiality in data processing and information sharing relies on a multi-layered approach that combines legal rules, technical safeguards, and proper training. Legal prohibitions on disclosure set the boundaries—clear rules about who may access information and under what circumstances—so everyone understands what is disallowed. Access controls ensure only authorized personnel can view data, often using role-based permissions so staff see only what they need for their duties. Encryption protects data both while it's stored and while it's being transmitted, so even if data is intercepted or improperly accessed, it remains unreadable. Audit trails document who accessed what data and when, providing accountability and a mechanism to detect and respond to potential breaches. Privacy training reinforces these practices by ensuring staff understand obligations, policies, and the proper handling of sensitive information. When sharing data, these safeguards guide the process with data-sharing agreements and a principle of sharing only the minimum information necessary for a legitimate purpose. Focusing only on physical security in offices misses the electronic safeguards essential for data in today's systems. Ignoring data sharing undermines the formal controls that govern access and disclosure. Publicly posting all processed taxpayer data would violate confidentiality and undermine trust.

10. Is the Memorandum of Assignment (MOA) authorizing a Revenue Officer to conduct an audit valid?

A. Yes. The MOA is valid.

B. No. The MOA is void because the RDO is not authorized to sign LOA.

C. MOA is valid if the LOA is not required.

D. MOA valid if signed by any officer.

The key point is that authority to conduct an audit comes from a valid Letter of Authority, not from the Memorandum of Assignment alone. The MOA designates which Revenue Officer will handle the case, but it does not, by itself, authorize the audit actions. Those actions must be backed by a properly issued LOA that clearly states the scope and is signed by someone who is authorized to issue LOAs. If the LOA is signed by the Revenue District Officer, and that signatory is not authorized to sign LOAs, the LOA is invalid. Without a valid LOA, the Revenue Officer has no lawful basis to conduct the audit, so the MOA attached to or dependent on that LOA is void.

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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