



Practically Everything You Always Wanted to Know about the EA Exam

(The Internal Revenue Service's
Special Enrollment Examination – SEE)

Presented by
Eva Rosenberg, EA



Bio: Eva Rosenberg, EA, Your TaxMama® started teaching Enrolled Agents Exam review courses over 15 years ago when she developed the program for UCLA Extension. TaxMama® was asked to develop a live, online course several



years ago - and has been refining the materials and interface ever since. TaxMama® has worked closely with IRS's Office of Professional Responsibility and Prometric to keep all EA Exam study tool providers informed. Eva persuaded IRS and Prometric to create an annual forum where providers can provide feedback to IRS and Prometric to improve the exam, to address errors and to get updates on the latest exams – and statistics.

Eva has a BA in Accounting and an MBA in International business. She has served as a Director of CSEA. Your TaxMama® is a TaxWatch columnist for Dow Jones' MarketWatch.com and author of the ever-popular book, *Small Business Taxes Made Easy*, published by McGraw-Hill. TaxMama® works tirelessly to get the concept of enrolled agents before the public eye – and ear. As a result, you'll find TaxMama® or Eva Rosenberg and Enrolled Agents quoted in at least 2-3 articles per month in publications like the WSJ, Consumer Reports, Chicago Tribune, San Francisco Chronicle, Yahoo!, etc. and as a guest on at least 1 radio or television show each month, like NPR, CNN, Fox News and more. As a speaker, TaxMama® is popular with both tax professionals and taxpayers because she speaks taxes in English.



You can find Eva answering questions for readers at www.TaxMama.com and TaxMama's® EA Exam Review Class at www.IRSExams.com .

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1. What is an Enrolled Agent?

What do you think an EA is?

No, it's not someone who prepares tax returns.

After all, anyone can prepare tax returns. In most states, there is no professional licensing requirement at all for tax preparers. Can you believe that tax preparation is completely unregulated in most of the United States? Only California and Oregon have stringent requirements. A couple more states have added regulations, like New Jersey and Maryland. And New York is requiring registration.

So, if EAs are not tax preparers, what are they?

My T-card (Treasury Card) says that "I am enrolled to practice before the Internal Revenue Service under 31 Code of Federal Regulations Part 10 (Treasury Department Circular 230)."

In other words, EAs have the power to represent taxpayers in all discussions and disputes, at all levels of the Internal Revenue Service. With a Power of Attorney (Form 2848 <http://www.irs.gov/pub/irs-pdf/f2848.pdf>), we can call IRS on behalf of our clients, without a need for the clients to be present or conferenced into the call. We can go to audits or collections hearings on their behalf. We can negotiate installment agreements on their balances due. We can appeal IRS decisions on audits or collections matters. We can save people's lives!

All state governments recognize our authority. Local governments generally do, as well; though sometimes it takes an explanation of who we are.

You can learn what some people have said about the value of being an Enrolled Agent http://snurl.com/value_of_being_an_ea .

For me, the EA generates instant respect and cooperation when dealing with IRS staff. In their day-to-day experiences, IRS staff repeatedly tell me that they are treated better by Enrolled Agents than by all other tax professionals. EAs tend to come in with organized data, finishing meetings more quickly and with more satisfactory conclusions on both sides. We rarely talk down to them or tell them how to do their jobs. The EA designation lets me practice anywhere in the country without re-certifying or re-testing. And the best thing of all? I can do miracles for clients who've failed to solve their tax problems using all other avenues!

For more information about what EAs are – and why you should care, read this article. http://snurl.com/ea_why_bother

What do EAs do?

A story from Thomas Avery Blair, EA illustrates what we do.

My most thrilling experience to date? A worried and dying man (disabled truck driver) wanting to not leave his wife with a \$95K IRS debt caused by a rogue EA...I went to bat for them, got to an IRS Appeals Officer, showed him all the facts and data...and "poof" the IRS obligation disappeared...and they even got a \$680 tax refund! It felt like at least in part I justified drawing breath for a while longer. By the way, the Appeals Officer also helped me find medical help for the man...and he still lives! Twice in and twice out of hospice...had a kidney transplant...doing much better, wife now on Social Security and they tell everyone they know about EAs! I told them the credit belonged to the profession of EA...its' what we do!

Who else is regulated under IRS's Circular 230

http://www.irs.gov/pub/irs-utl/circular_230.pdf ?

The following folks, if their licenses are in good standing:

- Attorneys
- Certified Public Accountants
- Enrolled Agents
- Enrolled Actuaries
- Enrolled retirement plan agents (*the newest group as of 09/26/07*)

How do you become an Enrolled Agent?

You can do it the hard way, like many of us – take the IRS's annual Special Enrollment Examination (SEE). Or you can do it the easy way. You can work for IRS in certain capacities for at least 5 years – and walk out with your T-Card.

You can learn more about the whole Enrolled Agent program and about being an Enrolled Agent at the IRS's special website just for us:

<http://www.irs.gov/taxpros/agents/>

2. Who qualifies to sit for the exam?

Great news here. In fact, you're not going to believe this.

YOU QUALIFY TO SIT FOR THE EXAM. RIGHT NOW, AS YOU ARE.

Huh?

Education? Unlike the CPA exam, which requires a college degree and/or a certain number of units in accounting; unlike the Bar exam, which requires a college degree and/or a certain number of units in legal courses...there is no minimum educational requirement.

Age? There is no minimum age requirement. In fact, a high school student would be eligible to sit for the exam.

Citizenship or Residence? There is no requirement to be a U.S. citizen or green-card holder. You don't even have to live in the United States.

In other words, anyone can sit for the SEE. All you have to do is know enough about the United States Internal Revenue Code and the Internal Revenue Manual, Circular 230 and all the forms, and all the procedures and the regulations, and the notices, and Tax Court rulings...and the entire body of tax law – to pass the exam.

Oh, and you have to file the application to sit for the exam – Form 2587 Application for Special Enrollment Examination – it's on Page 15 in the Candidate Information Bulletin - http://snurl.com/ea_exam_brochure

OK, it's not easy, is it?

The Special Enrollment Examination is one tough set of exams. Having only three exams instead of four didn't make it any easier. In fact, because the body of knowledge covered by each exam has increased, it's harder to predict what each exam you take will cover. In fact, it's even harder than you think. We'll explain in just a moment.

Two more things

1. You need to be in compliance. All your own tax returns must have been properly and timely filed – and paid in full. If you had to use an installment agreement, that's OK. But you must have honored the terms of the agreement. Bankruptcies, criminal charges and other signs of dishonesty will disqualify you.
2. To file the application to sit for the exam, you must have a PTIN (Preparer Tax Identification Number). You can get one of those online, at the IRS website -
<http://www.irs.gov/taxpros/article/0,,id=109646,00.html>

Note: If you've never filed your own tax return before (you've been a dependent, reported on your parent's return; you're not a U.S. resident and are not required to file; etc.) you will have trouble getting the PTIN. Please contact the PTIN unit directly, or have your instructor or software vendor help you contact them. You will need to fax your application to the manager to process by hand.

3. 2010 Session dates, testing locations, costs

Locations - nearly 300 Prometric testing centers located across the United States and internationally. Test centers are located in most major metropolitan areas. Click on the 'Do More' button on the Prometric home

page to find a location in your state – or country.

<http://securereg3.prometric.com/Dispatch.aspx> . If you can't find a location

near you online, just call the folks at Prometric: **800.306.3926**

Dates - May 1, 2010 to February 28, 2011.

Costs - \$101 per exam session.

Rescheduling – Free, if more than 30 days in advance. \$35 5-29 days in advance. Full fee - \$101 if rescheduling less than 5 days before your exam date.

For more detailed information, please read the Prometric Candidate brochure:

http://snurl.com/ea_exam_brochure

4. TaxMama's Class and Your Questions.

The first thing to understand is that all the courses available to you are EA Exam **Review** Courses. That means, the courses are designed to help you REVIEW tax law and procedure. They pre-suppose that you already have tax experience and an education in taxation. And that you understand the language unique to the tax world.

That's the big difference between the TaxMama[®] course and everyone else's. www.irsexams.com We combine two elements:

The Final Review – which grills you, using a series of tax questions and explanations – and teaches you how to answer questions when you don't know the answer at all.

Solving the Tax Puzzle – you get an education in tax law, procedure, preparation ethics and client management. You will learn more here than you ever could learn in college taking both a basic and intermediate course in taxation. You will benefit from over 30 years of progressively more complex tax experience – and from the lessons learned from tax professionals who’ve established wealthy tax practices.

Let me answer YOUR questions, before I continue.

Lesa asked:

Just wanted to verify that if you take the live classes, it isn't a problem to use the live recordings subsequent to the class for makeup. The Saturday class sessions may be a challenge for my schedule and some other dates.

Yes, everything is recorded so you can listen to it later. Not only can you listen later, you can listen to it over and over as often as you like. And you can also download it to your favorite MP3 player and listen while you’re commuting, doing laundry, working out, or jogging, or...

Aimee asks:

My main question is how can I obtain education for the EA exam. Last year I purchased a self-study book and procrastinated. I would prefer either an on-line course or other course. Do you have any info on that?

That’s what this class is all about. It’s a live online course.

Arash has a lot of questions:

I am very excited to start studying for the EA exam and had a few questions about the self study class.

- 1) How long will I have access to the on-line resources (chat rooms

and study buddies)

You will have access to everything online until you pass the exam – even if your studies get interrupted and have to come back years later.

2) Is there a contact phone number that I can call with questions related to the software and or material (non-tax related questions)

Yes. You can contact Gleim and Fastax about your questions by phone or email. And for the conference system, you can get help by phone or email, as well.

3) I realize that everyone is different, but I wanted to register to take my three EA sections and wanted to know a ball park recommendation for how many hours of study to allot for each section.

Well, if you follow along at the pace of the live class, it will take you from May – October to finish all the sessions. In addition to the 8 hours of live classes per week, or listening to the live class, budget and extra 4-8 hour per week.

4) If the three sections were ranked according to volume and complexity of material would they be in this order; 1) business, 2) individual, 3) ethics? If not how would you rank them?

The easiest is Part 3. While it's probably all new to you, it has the least math. Then Part 1. Part 2 is the hardest and covers the most complex material.

Jim wants to know:

Will there be classes scheduled out in the last half of the year?

If there are enough new people signing up for the Live Class after August, I will re-teach Part 1 again. However, we run at least one live session a month during November and December after the class has finished

Are the classes developed around software or are they working with paper?

They are based on my lecture material and around the Gleim and Fastax testing software. You get both.

I have several questions, Is there a phone number where I can call and get questions answered?

Not during tax season. This class is essentially just me – and one or two other instructors. This is not a big company. But during the May-October season, I am generally able to give you the time you need on the phone. Mostly, you can ask your questions live, in class.

5. Study options - courses, tools, etc.

How you study for the exam will depend on several variables. How much experience you already have preparing tax returns; whether you have experience preparing business returns, besides the hundreds of individual returns you prepare; and how much experience you've had doing representation.

Folks who are well versed in taxation and representation can easily study on their own, using the good review tools out in the market, or by sitting in on a live review class. Remember, that's what review classes do – **review** the information. This pre-supposes you already know taxation.

In fact, just this month, John C. passed all three parts of the IRS Exams using TaxMama's Self-Study material for only 2 ½ months – using nothing but the Final Review material and the testing discs. (Now, he will log back into the class and study all the lessons he overlooked, so he can learn to run his practice and improve his preparation skills.

If you don't have a background in taxation, don't worry. I have seen people pass the SEE just by using study tools – and memorizing everything they could. It was easier when we had samples of the live questions. Now, all the vendors are just guessing at what the questions will be, based on the past, and based on using logic. I'd say, your chances of passing this way, with no

tax background diminished by over 30% now that the questions are not available.

Instead, it would be wise to learn more about tax law before trying to sit for the class. You can do that by taking online courses, downloadable courses, or by visiting your local college. Sure, it will take a bit longer. But when you sit for the exam, you'll have done more than just memorize a bunch of answers to questions, or rules. You'll understand the concept.

The only review course that also includes lessons in tax law is TaxMama's EA Exam Review Class – www.irsexams.com . (That's the *Solving the Tax Puzzle* part of the course.) My course lasts a lot longer than the pure review courses. It runs from the end of May to October for all three parts. By the time you're done, you also have a grasp of tax law, dealing with clients, running a tax practice and a whole lot more. (You should see the note I *just* got. Wow!)

EA Exam Review Vendors

There is a list of approved study tool providers on the Prometric site:

http://snurl.com/ea_exam_providers

(Note: If you have a favorite vendor who is not on the list, ask them to contact Prometric and provide them with information about their program so they can be added. Or have them contact me and I will put them in touch with the right person at Prometric.)

Software tools I use in the courses I teach include the Fastax discs and Gleim. Both are excellent. The other tools have good reputations, too, or they would not still be in business.

Live review classes are the best way to go for anyone who needs motivation and live interaction. Besides, they're fun – and a great way to make contacts and friends. Generally, the live classes are scheduled in the summer and fall.

Several CSEA chapters offer live review courses – www.csea.org

- Arthur EA Exam Review - <http://www.eareview.com> - Bob Arthur also sells self-study kits.
- Gleim - <http://www.gleim.com/accounting/ea/designation.php> Although their main forte is software and books, they have started a quasi-live program. You study on your own and drop into a class with a live professor once a week or so. NAEA offers these Gleim courses with NAEA members as instructors - http://snurl.com/naea_ea_review
- The National Society of Accountants (NSA) is providing an intensive course in August - <http://www.nsacct.org/profdev.asp?id=592> .
- For other courses near you, check with the National Association of Enrolled Agents website. They usually list their chapters' SEE courses. <http://www.naea.org/MemberPortal/education/eventscalendar>
- Another great place to look is The National Association of Tax Professionals (NATP). They teach live courses in several venues around the country. http://natptax.com/ea_exam_review_course.html

6. Scoring, passing, re-testing and retention

Fundamentals about the EA Exam

- There are three parts to the exam.
- You can take each part of the exam 4 times a year. So, how can you miss?
- You can take the exam anytime you like between May 1st and the last day of February each year – 10 months.

Scoring - With Prometric running the exams, they have access to complex computer analyses. In addition, each exam you take is unique. It is created from a database of hundreds of questions, that appear on your test computer

in a seemingly random order. The complexity of each exam's random set of questions is designed to be same for each test-taker.

What does this have to do with scoring?

Well, the ability to use 'metrics' (as in Prometric) allows the company to use complex quantitative analysis techniques to create question sets where the individual point values are meaningless. In fact, some of the questions are tossed into your exam and won't even count towards your score. They are used for internal analysis.

Passing score is 105. Those who pass will simply learn that you've passed. You will not get your score at all. Those who fail, who get 104 or less will learn your score. You will also get one a notes explaining in which areas you fell short.

Getting a Do-Over

OK, you missed it. When can you take it again? You can schedule your next test anytime – the same day, if there's room; the next day; whatever you like.

Keeping a Pass

I mentioned the retention window just a minute ago. How long can you keep a passing score on part of the exam before it expires?

You have two years to finish up all parts once you pass the first part. For instance, you pass Part 1 on May 15, 2010. You have until May 14, 2012 to complete Parts 2 and 3.

Next, you pass Part 2 on June 15, 2010. You still have only until May 14, 2012 to pass Part 3. If you miss that deadline, you'll have to take Part 1 all over again – but you still have a month in which to keep Part 2.

What are the passing rates?

Prometric's pass rate reports? They admit that they are not as meaningful as they could be.

Prometric tells us:

It is important to understand that comparison of pass rates among the three tests is not appropriate. The differences in the tests and the composition of the test taking populations make comparison impossible. For example, the total number of test takers for SEE 1 is nearly twice the number of candidates taking either SEE 2 or SEE 3 year-to-date in 2008. It is also important to note that first-time test takers tend to perform better than the total group. It is likely that candidates in 2008 are better informed about the content of the three examinations as the information on the changes has been updated.

You can find their results for 2007 and 2008 right here:

http://snurl.com/ea_exam_results

7. Content and make-up of the exam

Ah yes, the big question! What's in the exam? It's a big mystery, under deep security. You can find a list of forms and publications here:

<http://www.irs.gov/taxpros/agents/article/0,,id=109302,00.html>

But that's not as helpful as you might expect.

There's better information, including topics and sub-topics the Prometric site...or right here:

Prometric Topic List for each exam:

- Part 1 – Individuals <http://irsexams.com/ea-exam-part1-individuals/>
- Part 2 – Businesses, Entities and Specialized Returns
<http://irsexams.com/ea-exam-part2-businesses/>
- Part 3 – Representation and Procedures <http://irsexams.com/ea-exam-part3-representation-practices-and-procedures/>

It is a computerized exam, in a testing facility full of computers, with people taking other exams.

8. What are your job or income prospects as an Enrolled Agent?

Once upon a time, back in the dark, dim ages of the last century, the tax and accounting community knew only of CPAs and attorneys. When considering career choices, few advisors or college professors or high school counselors ever brought up EAs. The public didn't know who or what they were. The only EAs in existence seemed to be in gray and wrinkled.

Through the publicity arms of organizations like the National Association of Enrolled Agents <http://www.naea.org> , and the California Society of Enrolled Agents <http://www.csea.org>, individuals, like author Jan Zobel www.janztax.com and local and national chapter members, and, even me www.taxmama.com – we started making the country aware of the skill and professionalism of Enrolled Agents – and of the career opportunity.

It also helps that, as auditors and collections officers retire from or leave IRS after 5+ years of service, they set up shop as EAs.

As a result, not only are people starting to know what EAs are, they are willing to hire them. Especially in the major firms.

The EA profession needs you

Folks, this is a terrific profession. You're going to meet some of the most interesting people along the way. With tax laws changing so often, you know it's a recession-proof industry. With the economy plunging and people getting into tax trouble, we need good people like you to help taxpayers survive these tough times.

Your reward?

Once you get past the frustration of getting data from your clients, you mean? Your reward is a strong feeling of satisfaction each time you succeed for a client – and quite a lot of money. And oh yes, the freedom to move about the country – or the planet and work with clients anywhere.