

Part 2 Complete Study Guide

Last reviewed: May 30, 2026. Tax year covered: Current IRS SEE cycle; verify current tax-year dollar limits before testing.

Tax rules, limits, forms, fees, and exam logistics can change. Always verify current tax-year limits, exam fees, scheduling rules, and identification requirements with official IRS and PSI sources before testing.

Course Modules

Business Entities and Tax Considerations

Compare tax treatment for sole proprietorships, partnerships, corporations, S corporations, LLCs, trusts, estates, and exempt organizations.

Definitions: Business Entities and Tax Considerations: Business Entities and Tax Considerations is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in business entities and tax considerations.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

Calculation discipline: Write the formula before using numbers: starting amount, additions, reductions, limitation, and final tax effect. For basis, gain, credit, deduction, or penalty questions, identify what the exam is asking for before calculating. If a dollar limit or phaseout appears, verify the current tested amount through IRS instructions before sitting for the exam.

Exam tip: EA Exam Alert: read the final sentence first so you know whether the question asks for tax treatment, filing procedure, representation authority, or penalty exposure. Common IRS Trap: do not assume a form, deadline, or authorization applies just because it is familiar from another topic. Exam Tip: after choosing an answer, explain why each other choice fails. If you cannot do that, review the rule before moving on.

Sole Proprietorships

Report business income and expenses, self-employment tax, home office, vehicle use, and Schedule C issues.

Definitions: Sole Proprietorships: Sole Proprietorships is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in sole proprietorships.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

Calculation discipline: Write the formula before using numbers: starting amount, additions, reductions, limitation, and final tax effect. For basis, gain, credit, deduction, or penalty questions, identify what the exam is asking for before calculating. If a dollar limit or phaseout appears, verify the current tested amount through IRS instructions before sitting for the exam.

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Partnerships

Apply partnership formation, income allocation, guaranteed payments, basis, liabilities, distributions, and partner reporting rules.

Definitions: Partnerships: Partnerships is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in partnerships.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

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Corporations

Analyze C corporation income, deductions, dividends, earnings and profits, tax payments, and return filing requirements.

Definitions: Corporations: Corporations is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in corporations.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

Calculation discipline: Write the formula before using numbers: starting amount, additions, reductions, limitation, and final tax effect. For basis, gain, credit, deduction, or penalty questions, identify what the exam is asking for before calculating. If a dollar limit or phaseout appears, verify the current tested amount through IRS instructions before sitting for the exam.

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S Corporations

Apply eligibility, elections, shareholder basis, reasonable compensation, distributions, losses, and termination rules.

Definitions: S Corporations: S Corporations is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in s corporations.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

Calculation discipline: Write the formula before using numbers: starting amount, additions, reductions, limitation, and final tax effect. For basis, gain, credit, deduction, or penalty questions, identify what the exam is asking for before calculating. If a dollar limit or phaseout appears, verify the current tested amount through IRS instructions before sitting for the exam.

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LLC Tax Classification

Determine default and elected classification for single-member and multi-member LLCs.

Definitions: LLC Tax Classification: LLC Tax Classification is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in llc tax classification.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

Calculation discipline: Write the formula before using numbers: starting amount, additions, reductions, limitation, and final tax effect. For basis, gain, credit, deduction, or penalty questions, identify what the exam is asking for before calculating. If a dollar limit or phaseout appears, verify the current tested amount through IRS instructions before sitting for the exam.

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Business Income and Expenses

Classify ordinary and necessary business expenses, capitalization, meals, travel, interest, bad debts, and limitations.

Definitions: Business Income and Expenses: Business Income and Expenses is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in business income and expenses.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

Calculation discipline: Write the formula before using numbers: starting amount, additions, reductions, limitation, and final tax effect. For basis, gain, credit, deduction, or penalty questions, identify what the exam is asking for before calculating. If a dollar limit or phaseout appears, verify the current tested amount through IRS instructions before sitting for the exam.

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Depreciation, Amortization, and Section 179

Apply cost recovery concepts, placed-in-service rules, listed property, Section 179, bonus depreciation, and amortization.

Definitions: Depreciation, Amortization, and Section 179: Depreciation, Amortization, and Section 179 is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in depreciation, amortization, and section 179.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

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Payroll and Employment Taxes

Identify worker classification, withholding, deposits, Forms 940 and 941, FUTA, FICA, and employment-tax penalties.

Definitions: Payroll and Employment Taxes: Payroll and Employment Taxes is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in payroll and employment taxes.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

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Business Credits

Recognize common business credits, eligibility limits, carrybacks, carryforwards, and documentation requirements.

Definitions: Business Credits: Business Credits is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in business credits.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

Calculation discipline: Write the formula before using numbers: starting amount, additions, reductions, limitation, and final tax effect. For basis, gain, credit, deduction, or penalty questions, identify what the exam is asking for before calculating. If a dollar limit or phaseout appears, verify the current tested amount through IRS instructions before sitting for the exam.

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Accounting Methods and Periods

Apply cash/accrual concepts, inventory rules, accounting periods, and method-change procedures.

Definitions: Accounting Methods and Periods: Accounting Methods and Periods is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in accounting methods and periods.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

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Basis, Distributions, and Loss Limitations

Compute basis and loss limits for entities, including at-risk, passive activity, stock, debt, and partnership basis concepts.

Definitions: Basis, Distributions, and Loss Limitations: Basis, Distributions, and Loss Limitations is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in basis, distributions, and loss limitations.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

Calculation discipline: Write the formula before using numbers: starting amount, additions, reductions, limitation, and final tax effect. For basis, gain, credit, deduction, or penalty questions, identify what the exam is asking for before calculating. If a dollar limit or phaseout appears, verify the current tested amount through IRS instructions before sitting for the exam.

Exam tip: EA Exam Alert: read the final sentence first so you know whether the question asks for tax treatment, filing procedure, representation authority, or penalty exposure. Common IRS Trap: do not assume a form, deadline, or authorization applies just because it is familiar from another topic. Exam Tip: after choosing an answer, explain why each other choice fails. If you cannot do that, review the rule before moving on.

Farm Taxation

Recognize farm income, expenses, inventories, depreciation, special elections, and estimated-tax rules.

Definitions: Farm Taxation: Farm Taxation is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in farm taxation.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

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Estates and Trusts

Understand fiduciary income-tax concepts, DNI, distributions, beneficiaries, and filing obligations at an exam level.

Definitions: Estates and Trusts: Estates and Trusts is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in estates and trusts.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.

- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

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Exempt Organizations

Identify exempt organization filing, unrelated business income, private benefit, and compliance issues.

Definitions: Exempt Organizations: Exempt Organizations is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in exempt organizations.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

Calculation discipline: Write the formula before using numbers: starting amount, additions, reductions, limitation, and final tax effect. For basis, gain, credit, deduction, or penalty questions, identify what the exam is asking for before calculating. If a dollar limit or phaseout appears, verify the current tested amount through IRS instructions before sitting for the exam.

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Retirement Plans

Recognize business retirement plan deductions, contribution timing, plan types, and employer responsibilities.

Definitions: Retirement Plans: Retirement Plans is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in retirement plans.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

Calculation discipline: Write the formula before using numbers: starting amount, additions, reductions, limitation, and final tax effect. For basis, gain, credit, deduction, or penalty questions, identify what the exam is asking for before calculating. If a dollar limit or phaseout appears, verify the current tested amount through IRS instructions before sitting for the exam.

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International Business Issues

Identify business-related foreign reporting, withholding, sourcing, and entity issues at an exam level.

Definitions: International Business Issues: International Business Issues is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in international business issues.

- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

Calculation discipline: Write the formula before using numbers: starting amount, additions, reductions, limitation, and final tax effect. For basis, gain, credit, deduction, or penalty questions, identify what the exam is asking for before calculating. If a dollar limit or phaseout appears, verify the current tested amount through IRS instructions before sitting for the exam.

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Final Review and Practice Exams

Review mixed business scenarios, entity comparison, basis, timing, and calculation traps.

Definitions: Final Review and Practice Exams: Final Review and Practice Exams is tested through the facts, forms, timing, authority, taxpayer status, entity status, and current IRS rules that control the answer. | Controlling fact: A fact that changes the legal or procedural result, such as filing status, entity type, basis, deadline, ownership, relationship, authority, or tax year.

- Start by identifying the taxpayer, entity, representative, tax year, or procedure being tested in final review and practice exams.
- Apply only the facts given. Do not add taxpayer-favorable assumptions unless the rule allows them.
- When a dollar limit, deadline, phaseout, or form requirement is involved, verify the current exam-cycle rule before testing.

Calculation discipline: Write the formula before using numbers: starting amount, additions, reductions, limitation, and final tax effect. For basis, gain, credit, deduction, or penalty questions, identify what the exam is asking for before calculating. If a dollar limit or phaseout appears, verify the current tested amount through IRS instructions before sitting for the exam.

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Practice Questions With Explanations

1. Business Entities and Tax Considerations (Foundational)

A SEE candidate is working through a rule-recognition question on business entities and tax considerations for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: A

A is correct because the question is testing Business Entities and Tax Considerations, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Business Entities and Tax Considerations: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

2. Sole Proprietorships (Exam Standard)

A SEE candidate is working through a eligibility question on sole proprietorships for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: B

B is correct because the question is testing Sole Proprietorships, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Sole Proprietorships: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

3. Partnerships (Exam Standard)

A SEE candidate is working through a calculation setup question on partnerships for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: C

C is correct because the question is testing Partnerships, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Partnerships: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

4. Corporations (Difficult)

A SEE candidate is working through a procedure question on corporations for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: D

D is correct because the question is testing Corporations, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Corporations: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

5. S Corporations (Exam Standard)

A SEE candidate is working through a documentation question on s corporations for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: A

A is correct because the question is testing S Corporations, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: S Corporations: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

6. LLC Tax Classification (Difficult)

A SEE candidate is working through a timing question on llc tax classification for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: B

B is correct because the question is testing LLC Tax Classification, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: LLC Tax Classification: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

7. Business Income and Expenses (Elite Challenge)

A SEE candidate is working through a authority question on business income and expenses for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: C

C is correct because the question is testing Business Income and Expenses, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Business Income and Expenses: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

8. Depreciation, Amortization, and Section 179 (Foundational)

A SEE candidate is working through a mixed-fact analysis question on depreciation, amortization, and section 179 for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: D

D is correct because the question is testing Depreciation, Amortization, and Section 179, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Depreciation, Amortization, and Section 179: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

9. Payroll and Employment Taxes (Exam Standard)

A SEE candidate is working through a rule-recognition question on payroll and employment taxes for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: A

A is correct because the question is testing Payroll and Employment Taxes, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Payroll and Employment Taxes: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

10. Business Credits (Difficult)

A SEE candidate is working through a eligibility question on business credits for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: B

B is correct because the question is testing Business Credits, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Business Credits: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

11. Accounting Methods and Periods (Foundational)

A SEE candidate is working through a calculation setup question on accounting methods and periods for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: C

C is correct because the question is testing Accounting Methods and Periods, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Accounting Methods and Periods: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

12. Basis, Distributions, and Loss Limitations (Exam Standard)

A SEE candidate is working through a procedure question on basis, distributions, and loss limitations for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: D

D is correct because the question is testing Basis, Distributions, and Loss Limitations, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Basis, Distributions, and Loss Limitations: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

13. Farm Taxation (Exam Standard)

A SEE candidate is working through a documentation question on farm taxation for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: A

A is correct because the question is testing Farm Taxation, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Farm Taxation: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

14. Estates and Trusts (Difficult)

A SEE candidate is working through a timing question on estates and trusts for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: B

B is correct because the question is testing Estates and Trusts, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Estates and Trusts: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

15. Exempt Organizations (Exam Standard)

A SEE candidate is working through a authority question on exempt organizations for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: C

C is correct because the question is testing Exempt Organizations, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Exempt Organizations: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

16. Retirement Plans (Difficult)

A SEE candidate is working through a mixed-fact analysis question on retirement plans for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: D

D is correct because the question is testing Retirement Plans, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Retirement Plans: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

17. International Business Issues (Elite Challenge)

A SEE candidate is working through a rule-recognition question on international business issues for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: A

A is correct because the question is testing International Business Issues, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: International Business Issues: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

18. Final Review and Practice Exams (Foundational)

A SEE candidate is working through a eligibility question on final review and practice exams for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: B

B is correct because the question is testing Final Review and Practice Exams, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Final Review and Practice Exams: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

19. Business Entities and Tax Considerations (Exam Standard)

A SEE candidate is working through a calculation setup question on business entities and tax considerations for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: C

C is correct because the question is testing Business Entities and Tax Considerations, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Business Entities and Tax Considerations: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

20. Sole Proprietorships (Difficult)

A SEE candidate is working through a procedure question on sole proprietorships for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: D

D is correct because the question is testing Sole Proprietorships, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Sole Proprietorships: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

21. Partnerships (Foundational)

A SEE candidate is working through a documentation question on partnerships for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: A

A is correct because the question is testing Partnerships, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Partnerships: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

22. Corporations (Exam Standard)

A SEE candidate is working through a timing question on corporations for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: B

B is correct because the question is testing Corporations, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Corporations: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

23. S Corporations (Exam Standard)

A SEE candidate is working through a authority question on s corporations for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: C

C is correct because the question is testing S Corporations, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: S Corporations: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

24. LLC Tax Classification (Difficult)

A SEE candidate is working through a mixed-fact analysis question on llc tax classification for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: D

D is correct because the question is testing LLC Tax Classification, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: LLC Tax Classification: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

25. Business Income and Expenses (Exam Standard)

A SEE candidate is working through a rule-recognition question on business income and expenses for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: A

A is correct because the question is testing Business Income and Expenses, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Business Income and Expenses: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

26. Depreciation, Amortization, and Section 179 (Difficult)

A SEE candidate is working through a eligibility question on depreciation, amortization, and section 179 for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: B

B is correct because the question is testing Depreciation, Amortization, and Section 179, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Depreciation, Amortization, and Section 179: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

27. Payroll and Employment Taxes (Elite Challenge)

A SEE candidate is working through a calculation setup question on payroll and employment taxes for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: C

C is correct because the question is testing Payroll and Employment Taxes, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Payroll and Employment Taxes: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

28. Business Credits (Foundational)

A SEE candidate is working through a procedure question on business credits for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: D

D is correct because the question is testing Business Credits, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Business Credits: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

29. Accounting Methods and Periods (Exam Standard)

A SEE candidate is working through a documentation question on accounting methods and periods for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: A

A is correct because the question is testing Accounting Methods and Periods, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Accounting Methods and Periods: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

30. Basis, Distributions, and Loss Limitations (Difficult)

A SEE candidate is working through a timing question on basis, distributions, and loss limitations for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: B

B is correct because the question is testing Basis, Distributions, and Loss Limitations, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Basis, Distributions, and Loss Limitations: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

31. Farm Taxation (Foundational)

A SEE candidate is working through a authority question on farm taxation for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: C

C is correct because the question is testing Farm Taxation, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Farm Taxation: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

32. Estates and Trusts (Exam Standard)

A SEE candidate is working through a mixed-fact analysis question on estates and trusts for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: D

D is correct because the question is testing Estates and Trusts, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Estates and Trusts: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

33. Exempt Organizations (Exam Standard)

A SEE candidate is working through a rule-recognition question on exempt organizations for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: A

A is correct because the question is testing Exempt Organizations, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Exempt Organizations: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

34. Retirement Plans (Difficult)

A SEE candidate is working through a eligibility question on retirement plans for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: B

B is correct because the question is testing Retirement Plans, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Retirement Plans: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

35. International Business Issues (Exam Standard)

A SEE candidate is working through a calculation setup question on international business issues for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: C

C is correct because the question is testing International Business Issues, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: International Business Issues: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

36. Final Review and Practice Exams (Difficult)

A SEE candidate is working through a procedure question on final review and practice exams for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: D

D is correct because the question is testing Final Review and Practice Exams, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Final Review and Practice Exams: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

37. Business Entities and Tax Considerations (Elite Challenge)

A SEE candidate is working through a documentation question on business entities and tax considerations for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: A

A is correct because the question is testing Business Entities and Tax Considerations, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Business Entities and Tax Considerations: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

38. Sole Proprietorships (Foundational)

A SEE candidate is working through a timing question on sole proprietorships for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: B

B is correct because the question is testing Sole Proprietorships, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Sole Proprietorships: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

39. Partnerships (Exam Standard)

A SEE candidate is working through a authority question on partnerships for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: C

C is correct because the question is testing Partnerships, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Partnerships: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

40. Corporations (Difficult)

A SEE candidate is working through a mixed-fact analysis question on corporations for Part 2: Businesses. The facts include extra details that may be true but not controlling. Which answer reflects the safest exam approach?

Correct answer: D

D is correct because the question is testing Corporations, not general tax familiarity. The safe exam method is to identify the taxpayer or entity, isolate the rule, check timing and eligibility, and apply only the facts given. This question is part of the expanded study bank and should be used with the related lesson and current IRS source checks.

Rule tested: Corporations: exam fact application and distractor control

Exam trap: The trap is selecting a familiar or taxpayer-friendly answer before confirming the exact rule, year, authority, deadline, or entity/taxpayer status.

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