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IRS Proposes New Registration, Testing and Continuing Education Requirements for Tax Return Preparers Not Already Subject to Oversight

WASHINGTON — The Internal Revenue Service kicked off the 2010 tax filing season today by issuing the results of a landmark six-month study that proposes new registration, testing and continuing education of tax return preparers. With more than 80 percent of American households using a tax preparer or tax software to help them prepare and file their taxes, higher standards for the tax preparer community will significantly enhance protections and service for taxpayers, increase confidence in the tax system and result in greater compliance with tax laws over the long term.

To bring immediate help to taxpayers this filing season, the IRS also announced a sweeping new effort to reach tax return preparers with enforcement and education. As part of the outreach effort, the IRS is providing tips to taxpayers to ensure they are working with a reputable tax return preparer.

Based on the results of the Return Preparer Review released today, the IRS recommends a number of steps that it plans to implement for future filing seasons, including:

Requiring all paid tax return preparers who must sign a federal tax return to register with the IRS and obtain a preparer tax identification number (PTIN). These preparers will be subject to a limited tax compliance check to ensure they have filed federal personal, employment and business tax returns and that the tax due on those returns has been paid.

Requiring competency tests for all paid tax return preparers except attorneys, certified public accountants (CPAs) and enrolled agents who are active and in good standing with their respective licensing agencies.

Requiring ongoing continuing professional education for all paid tax return preparers except attorneys, CPAs, enrolled agents and others who are already subject to continuing education requirements.

Extending the ethical rules found in Treasury Department Circular 230 -- which currently only apply to

attorneys, CPAs and enrolled agents who practice before the IRS -- to all paid preparers. This expansion would allow the IRS to suspend or otherwise discipline tax return preparers who engage in unethical or disreputable conduct.

Other measures the IRS anticipates taking are highlighted in the [55-page report](#) released today.

Currently, anyone may prepare a federal tax return for anyone else and charge a fee. While some preparers are currently licensed by their states or are enrolled to practice before the IRS, many do not have to meet any government or professionally mandated competency requirements before preparing a federal tax return for a fee.

First Step: Letters to 10,000 Preparers

The initiatives announced today will take several years to fully implement and will not be in effect for the current 2010 tax season. In the meantime, the IRS is taking immediate action to step up oversight of preparers for the 2010 filing season.

Beginning this week, the IRS is sending letters to approximately 10,000 paid tax return preparers nationwide. These preparers are among those with large volumes of specific tax returns where the IRS typically sees frequent errors. The letters are intended to remind preparers to be vigilant in areas where the errors are frequently found, including Schedule C income and expenses, Schedule A deductions, the Earned Income Tax Credit and the First Time Homebuyer Credit.

Thousands of the preparers who receive these letters will also be visited by IRS Revenue Agents in the coming weeks to discuss their obligations and responsibilities to prepare accurate tax returns. This is part of a broader initiative by the IRS to step up its efforts to ensure paid tax return preparers are assisting clients appropriately. Separately, the IRS will be conducting other compliance and education visits with return preparers on a variety of issues.

In addition, the IRS will more widely use investigative tools during this filing season aimed at determining tax return preparer non-compliance. One of those tools will include visits to return preparers by IRS agents posing as a taxpayer.

During this effort, the IRS will continue to work closely with the Department of Justice to pursue civil or criminal action as appropriate.

The full text of the news release is at www.irs.gov/newsroom/article/0,,id=217781,00.html

No specific dates of implementation are given, but rumor has it by next year at least parts will be implemented.