

Federal Regulation of Tax Return Preparers

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Background

- IRS Return Preparer Review
- IRS Strategic Plan Objectives
- Oversight agency interest
- Consumer protection group concerns
- Taxpayer Advocate concerns
- Almost 9 out of 10 use a paid preparer/software



Tax Return Preparer

For purposes of obtaining a preparer tax identification number (PTIN) ,only a tax return preparer is any individual who is compensated for preparing, or assisting in the preparation of all, or substantially all , of a federal tax return or claim for refund



1. Mandate that Tax Return Preparers Obtain and Use a PTIN and Pay a User Fee

- Mandatory sign-up for all preparers beginning mid-Sept. 2010, including those who already have a PTIN
- Annual user fee \$64.25
- PTIN mandatory on all paid preparer's returns beginning Jan. 1, 2011



2. Suitability Checks - Tax Compliance

- All preparers will be subject to tax compliance checks:
 - Have all returns been filed?
 - Have all taxes been paid (or proper payment arrangements made)?
- **Tip:**
 - Be proactive. Resolve any tax compliance issues now.



2. Suitability Checks - Background

- All preparers will be asked:
 - Have you been convicted of a felony in the past 10 years?
- Fingerprint checks will potentially be implemented when testing begins for those required to test



3. Competency Testing

- Unenrolled paid tax return preparers will be required to pass a competency test by Dec. 31, 2013
- Attorneys, CPAs, and enrolled agents will be exempt from testing
- Testing will begin approximately June 2011
- After passing the test, the individual is officially an “IRS Registered Tax Return Preparer”

(more)



3. Competency Testing

- There will be two levels of competency tests
 - 1) Wage and non-business 1040 returns and
 - 2) Wage and small business 1040 returns
- The initial two tests will be for individuals who prepare Form 1040 series returns. Additional guidance for individuals who do not prepare Form 1040 series returns will be provided when testing is implemented.
- After competency testing has begun, new preparers will be required to pass a competency test prior to obtaining a PTIN



4. Continuing Education

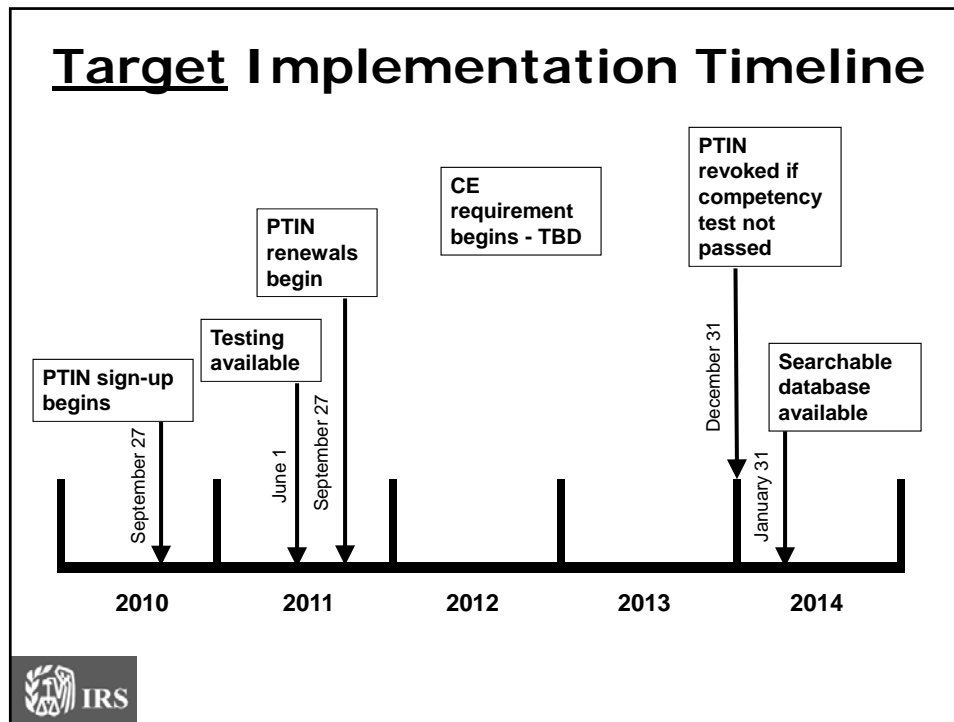
- All unenrolled preparers will have a new requirement to complete 15 continuing education hours per year:
 - 3 hours of federal tax law updates
 - 2 hours of ethics
 - 10 hours of federal tax law
- Effective date not yet determined



Circular 230 Revisions

- Notice of Proposed Rule Making
- Hearing (Oct 8, 2010)
- Significant Proposed Revisions:
 - 10.34
 - 10.2
 - 10.3
 - 10.4
 - 10.8
 - 10.9






Additional Ongoing Efforts

- Development of a comprehensive return preparer enforcement strategy
- Development of a public awareness campaign to educate taxpayers, preparers, and employees on the new requirements and standards
- Creation of a public database



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[Proposed New Requirements for Tax Return Preparers](#)
The Return Preparer Review final report is now available.

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