

## **Registration of Tax Return Preparers – The Latest from IRS**

David R. Williams, the IRS's executive lead for the implementation of the proposed IRS regulations on the Registration of Tax Preparers has announced the steps his team hopes to accomplish.

Under the program, federal tax return preparers who are paid to prepare all or substantially all of a tax return or claim for refund will be required to obtain a Preparer Tax Identification Number, which must be used after December 31, 2010, by all paid federal tax return preparers on the returns they prepare. The PTIN will be valid for three years.

Mr. Williams will implement an on-line system where all preparers will be able to register and obtain a PTIN on September 1, 2010.

The fee required will be between \$75 and \$300 for the three-year cycle, with an offsetting reduced fee for enrolled agents who already pay a \$125 application and renewal fee.

He emphasized that tax return preparers who apply for a PTIN will be subject to tax compliance checks to ensure they have filed all required tax returns and paid, or made proper arrangements with the IRS for the payment of any federal tax debts. Initially the IRS will not have the capability to automatically verify tax compliance and felony convictions. Instead, applicants will be asked to indicate under penalty of perjury whether they are current in their tax liability or if in the last ten years they have been convicted of a felony. Automated compliance checks should be implemented by mid-2011.

“Be proactive,” Williams advises. “Resolve any tax compliance issues now before applying for or renewing a PTIN.”

Current IRS recommendations require any paid tax return preparer who is not an enrolled agent, attorney or CPA to pass a competency test within three years from the initial implementation date of the registration program.

The IRS is currently developing two levels of competency tests: one for wage and non-business Form 1040 returns and a second test for wage and small business Form 1040 returns. These tests are expected to be available by May 2011. Both exams will be open book and provided on-line. The preparer's identity and fingerprints will be verified by a proctor similar to the process for taking the enrolled agent exam.

Preparers who obtain a PTIN prior to the availability of the exam will have three years to pass one of the two exams. Once testing is available, new unregistered

return preparers will be required to pass the competency test before they obtain a PTIN and begin preparing tax returns.

Other recommendations for the registration of return preparers include requiring every paid tax return preparer who is not an EA, attorney or CPA to complete 15 hours of continuing education per year, including three hours of federal tax law updates, two hours of ethics, and 10 hours of federal tax law.

The IRS is conscious of how easy it is to replicate certificates of education and other credentials using modern software and is planning to create a public database of registered tax preparers to provide a backstop for consumers.

He finished his statements with, "Development of a comprehensive compliance and enforcement strategy is a critical component. If we do not stop business from going to fly-by-night firms and taking business away from honest preparers, we will not have accomplished anything."