

Upcoming Changes for Federal Tax Return Preparers

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FTA E-File Symposium
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Background

April
2009

- IRS' 2009-2013 Strategic Plan included two objectives related to tax return preparers

June
2009

- IRS launched a review of the return preparer industry

Nov
2009

- President signed e-file mandate legislation

Dec
2009

- IRS published findings and recommendations in Publication 4832 – Return Preparer Review



1. Preparer E-File Mandate

- Transition plan:
 - Paid preparers who prepare 100 or more individual or trust returns in 2011 will be required to e-file
 - Paid preparers who prepare 11 or more individual or trust returns in 2012 will be required to e-file
- Outreach strategy and additional guidance on exceptions, waivers, and taxpayer opt-outs are in development



2. PTIN and User Fee Mandate

- 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 PTIN
- Usage of PTINs will be mandatory after Dec. 31, 2010, by all paid federal tax return preparers on the returns or claims they sign
- PTIN renewal and user fee will be required every three years
- Target launch date for online registration system is September 2010



3. Tax Compliance Checks

- Tax return preparers applying for, or renewing, a PTIN will be subject to tax compliance checks
- Checks will be limited to determining whether the tax return preparer has filed all required tax returns and paid, or made proper arrangements with the IRS for the payment of, any federal tax debts
- IRS is urging preparers to be proactive and resolve tax compliance issues now before applying for or renewing a PTIN



4. Competency Testing

- Recommendations:
 - Require paid tax return preparers who are not an enrolled agent, attorney, or CPA to pass a competency test within three years from the initial implementation date
 - Develop two levels of competency tests
 - 1) Wage and non-business 1040 returns and
 - 2) Wage and small business 1040 returns



Testing Timeline for Existing Preparers

Registration
begins*

Testing available

Year 1

Year 2

Year 3

PTIN revoked if
competency test
not passed

* To avoid disruption of business, existing tax return preparers will be permitted to obtain a PTIN and continue preparing tax returns during this transition period

Once testing is available, new unregistered unenrolled tax return preparers will be required to pass the competency test BEFORE they obtain a PTIN and begin preparing tax returns

5. Continuing Education

- Recommendations:
 - Require all paid tax return preparers who are not an enrolled agent, attorney, or CPA to complete 15 continuing education (CE) hours per year, including 3 hours of federal tax law updates, 2 hours of ethics, and 10 hours of federal tax law
 - Revamp CE sponsor approval program



Additional Ongoing Efforts

- Upcoming meeting with states that currently regulate preparers to identify coordination issues
- Extension of Circular 230 ethical standards to all paid tax return preparers
- Development of a comprehensive compliance and 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
- Development of a strategy to combine e-file enrollment and PTIN registration

