

IRS Introduces Proposal to Regulate Paid Tax Preparers

[The Internal Revenue Service \(IRS\) recently announced](#) its plans to regulate paid tax return preparers in an effort to improve compliance and enhance ethical conduct. The proposal recommendations, which would be phased in beginning in the 2011 filing season, include mandatory registration of paid tax return preparers as well as competency testing and CPE requirements. CPAs, attorneys and enrolled agents would be exempt from the education and entry-testing requirements.

The proposed IRS requirements were made in response to a recently published six-month study, "[Return Preparer Review](#)." The Review states that 80 percent of U.S. households rely on third-party tax preparation services either through return preparers or tax preparation software. It asserts that, while tax attorneys and CPAs are licensed by the states in which they practice, a "large share of tax return preparers do not pass any government or professionally mandated competency requirements before they prepare a federal tax return."

In general, the IRS's proposed recommendations would require:

- All signing preparers be issued a unique preparer tax identification number (a "PTIN" number)
- All preparers (both signing and non-signing) be subject to Circular 230 ethics rules
- An education requirement be implemented for all signing preparers other than CPAs, attorneys or enrolled agents
- An entry-testing requirement be implemented for all signing preparers other than CPAs, attorneys or enrolled agents

In addition to introducing new requirements for individual tax return preparers, the new IRS proposed recommendations would also impact companies such as H&R Block Inc. and Jackson Hewitt Tax Service Inc, requiring them to comply with the new rules as well.

The IRS plans to conduct a campaign to educate the public about the need to only use regulated tax preparers, and the AICPA will work with the IRS to help it implement the recommendations to meet the public interest while continuing to place emphasis on CPAs as the premier providers of tax services.

"The AICPA worked closely with the IRS during the public comment period leading up to this proposal and we believe this change will foster greater compliance with the tax code and better, more reliable service for U.S. taxpayers across the board," AICPA President and CEO Barry Melancon, CPA, said.

"However, we have concerns about the IRS plan to provide tax preparers who are not already CPAs, enrolled agents or attorneys with a certification based on limited qualifications, through registration and competency testing," Melancon said. "A new IRS examination process may cause confusion among taxpayers about the relative qualifications of tax return preparers."

For information on the AICPA's advocacy efforts regarding the IRS's plan, visit the [AICPA Tax Center](#) and [JournalofAccountancy.com](#).