



November 24, 2011

Fingerprinting Tax Preparers?

After launching the registration exercise in which 740,000 tax preparers thus far has participated, now the IRS is contemplating fingerprinting the preparers in its ongoing bid to further regulate what IRS Commissioner Doug Shulman called 'unscrupulous preparers'. Each fingerprinting will cost between \$60 and \$90. The IRS has made it a rule that all paid tax preparers including CPAs, tax attorneys and enrolled agents must register themselves and obtain their Preparer Tax Identification Number (PTIN). According to IRS statistics, more than 60% of tax preparers do not fall into the above three groups. These ones will also be subject to a compulsory competency test, which is not required for CPAs, tax attorneys and enrolled agents. So far, so good.

But when it comes to fingerprinting tax preparers, it may be another ball game altogether simply because of the intimate personal nature of the exercise. The IRS says it is needed to help the IRS weed out problems like in cases where tax return preparers try to steal your personal data. One party that has objected to the proposed fingerprinting exercise is the American Institute of Certified Public Accountants (AICPA) who contend that the exercise would put undue burdens on accounting firms who have many assistants preparing the tax returns but do not sign them. Having to fingerprint non-licensed and non-signatory tax assistants is too troublesome, according to the AICPA. The AICPA also says fingerprinting duplicates the work done by some CPA firms when hiring staff. In addition, the AICPA feels that CPAs should be exempted from fingerprinting because of their regulation by state boards of accountancy.

Furthermore, if the non-licensed and non-signing tax assistants are not required to sit for competency examinations or register for a PTIN, then why should they be fingerprinted? As an alternative, the AICPA has proposed conducting a background check for non-signing staff involving consumer reporting agencies.

The AICPA is not alone in its objection as other groups have also voiced their dissent, causing the IRS to put the fingerprinting exercise on hold for now. In his address to the AICPA national conference, Commissioner Shulman said, ““We have decided to hold off fingerprinting while we consider issues that have been raised and have further discussions with interested parties.” But Shulman did not give any time frame for the delay.

Other points brought up by stakeholders and adopted by the IRS in its regulation program include exempting non-signing preparers supervised by a CPA, attorney or enrolled agent from testing and continuing education requirements; requiring registered tax return preparers to include a disclaimer in their advertisements that they are not endorsed by the IRS; and being more flexible in the approval process for providers of continuing education materials under the program.