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Tax Preparers Undergo Education Program

Starting next year, the IRS will impose an annual requirement of 15 hours of competency training as part of its continuous education program for tax preparers. This month, however, the IRS will set competency tests for thousands of tax preparers across the nation in the form of a 120 question, 2 hour test. This has been a long time coming. An IRS review conducted over 6 months found a “near unanimity” among the public and industry players that greater industry oversight is required over tax preparers, according to David Williams, director of the IRS return preparer office.

But there is a fear among industry players that this might lead to a cost increase for taxpayers who engage the services of a tax preparer. However, Alison Pastrick, district Manager in Pittsburgh for H&R Block said, “We can only see this as a benefit for the taxpayer. It will strengthen the credibility and reliability of the tax preparer, and we feel this will reduce errors.”

If you wish to become a tax preparer, the requirements are just as, if not more, stringent. There is homework, quizzes, and periodical examinations. You must also not have a criminal record. A trainee tax preparer has to complete 24 hours of continuous education annually, more than the 15 hours to be implemented next year for existing tax preparers. This is to ensure mistakes, omissions or wrong information in taxpayers’ returns are kept to a minimum.

Up to now, there has been no requirement for tax preparers to prove their competency. As a result, many smaller firms and individuals who work from home preparing others’ tax returns do not bother to stay up to date with changes in the industry and tax laws.

But with the IRS' continuous education program, all that will soon change. For large tax services companies like H&R Block, complying with the IRS' requirements poses a monumental logistical task as sending thousands of tax preparers (some in military bases) for testing and training is no walk in the park.

Not all who prepare tax returns will be required to undergo the IRS education program and tests. CPAs, tax attorneys and enrolled agents who have passed the IRS tests are exempted. CPAs and tax attorneys have their own competency requirements set by their respective professional boards.

Another form of supervision of tax preparers comes in the form of registration of authorized preparers. This year, anyone who is paid to prepare tax returns must register with the IRS and obtain a Preparer Tax Identification Number (PTIN), which is stated on all forms submitted and signed by the tax preparer. New tax preparers will have to pass the IRS test in order to qualify to get a PTIN. As for current tax preparers who already have their PTINs, they have until the end of 2013 to pass the test. An online database is also being set up so that taxpayers can check if a preparer has passed the test.