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IRS Moves to Register Tax Preparers

The plan to regulate the thousands of tax preparers in the country is underway. The IRS has prepared and implemented proposals in the IRS Return Preparer Review, a report evaluating the tax preparing industry. Among the proposals were to register every tax preparer, administer examinations for tax preparers to ensure competency, tri-annual renewal of tax preparer licenses etc. The implementation phase of the entire system is expected to take three years.

The IRS will require that all tax preparers be registered and be assigned a Preparer Tax Identification Number (PTIN). This registration indicates the authority and competence of the tax preparer to perform his or her functions. The registration is valid for three years only and the tax preparer has to renew it in order to stay in business. The target date of implementing this is September 1, 2010.

Under the regulations, all who prepare taxes, including CPAs, attorneys and enrolled agents must register and obtain a PTIN. Those who already have a PTIN must still register in order to streamline the list of tax preparers and make it all-inclusive. Their numbers will be revalidated and reassigned under the new system.

The PTIN will enable the IRS to better trace which tax return was prepared by which tax preparer. This system will also help the IRS to identify negligent or incompetent tax preparers with a history of preparing inaccurate tax returns. The system also allows the IRS to conduct tax compliance checks which could include reviewing the tax preparer's track record of complying with tax rules in preparing personal and business tax returns and payment obligations.

In addition, there are examinations that tax preparers are required to sit for. Specifically, there will be two obligatory competency exams. The first test will be about wage and non-business income involving the Form 1040 series tax returns whereas the second test covers the wage and small business income aspect of the Form 1040 series. The target date in implementing the tests is April or May 2011. A third test will be on business tax rules and will be included only after the three-year implementation phase is over. In addition, all registered tax preparers will also be required to participate in the continuing education process. CPAs, attorneys and enrolled agents will be exempted from taking these exams.

Also in the pipeline is the proposal to have non-signing preparers also subject to the same registration requirements. Generally the new regulations have met with hearty approval by all industry players.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.