



April 19, 2010

IRS Registration for Tax Preparers a Good Move

There are an estimated 1.2 million tax preparers in this country but until now, no significant monitoring system is in place to regulate their activities and maintain standards. Presently, anyone can prepare tax returns for someone else and charge a fee. Although there are provisions for tax preparers to be licensed in their respective states and be authorized to practice before the IRS, there has never been a mandatory requirement to formally regulate the tax preparation industry. For example, there is no official proficiency examination tax preparers are necessitated to sit for. Yet the tax code is highly complex (which is why engaging tax preparers is such a common practice).

In what is largely seen as a laudable move, the IRS has proposed guidelines to regulate tax preparers to ensure strict compliance with industry standards and reduce fraud. When the IRS recently released its 'dirty dozen' list of tax-related scams, topping the list was tax returns fraud. Among the ways taxpayers are cheated by preparers are the skimming of their tax returns by the preparers, preparers promising to obtain a substantial refund for taxpayers even before looking at their tax information and charging unreasonably high tax preparation fees.

The IRS conducted a review last year and concluded that there is a dire need to establish standards of eligibility for any person or company to be qualified as a tax preparer. This should include tests they have to sit for and pass and continuing education thereafter. It also includes fulfilling the obligations of the tax returns of the preparers themselves. After all, if they do not file their own tax returns correctly and on time, they should have no business doing it for other people. Recently a tax lawyer from Massachusetts was barred from practicing before the IRS for four years because he did not file his own taxes and filed the returns for five of his clients late.

The guidelines stipulated by the IRS will see all tax preparers having to register themselves with the government. This includes those who already have a Preparer Tax Identification Number (PTIN). This will make it easier for the IRS to trace suspected fraudulent tax returns submitted by certain tax preparers. At present, tax preparers do not have to have a PTIN when submitting tax returns. They can alternatively use their Social Security number. But with the implementation of the registration exercise, this will change. All tax preparers must register and use their PTINs. Failure to do so will result in a penalty.

Once the regulations are put in place, a 'tax preparer' by definition is anyone who charges a fee for preparing all or a substantial part of someone's tax returns or refund claim. This will also include those who use tax preparation software.

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.