

New IRS rules in play for tax preparers

By Kathy Toppins | *The Business Times*

Two Edmond certified public accountants offered their opinions on an announcement last month that the IRS is developing new requirements and recommendations for income tax preparers. In June, IRS Commissioner Doug Shulman called for the review of the paid tax return preparer industry. As a result, the IRS plans to implement a number of steps for future filing seasons.

- 1) The IRS intends to require individuals who are required to sign a federal tax return as paid return preparer to register with the IRS and pay a user fee.
- 2) Paid tax return preparers who are not attorneys, CPAs or enrolled agents will have to take a competency test. Currently, there are no minimum competency standards.
- 3) Paid preparers who are not attorneys, CPAs, enrolled agents, enrolled actuaries or enrolled retirement plan agents would be required to complete 15 hours of continuing education annually.
- 4) The IRS will develop a searchable database of tax return preparers that have registered and passed the competency examination.
- 5) The IRS plans to require all signing paid tax return preparers to be

subject to verification of personal and business tax compliance every three years.

6) The IRS recommends making all signing and non-signing tax return preparers subject to the provisions of Treasury Department Circular 230, which will make them subject to discipline for unethical and unprofessional conduct.

Joshua Jenson, CPA, with Joshua Jenson CPA, PC and Associates, 1441 N.W. 150th St., said, "I'm definitely in favor of the IRS recommendations because I think they protect the taxpayers and, as a certified public accountant, inherent to what we do is protect the public."

With the current complexity of the rules and forms, it doesn't seem logical to let anyone become a paid tax preparer, Jenson said. Incompetent and predatory tax preparers are taking advantage of the lack of regulations when offering their services to unwary taxpayers.

Jenson said he has seen clients go blind, deaf and dumb as soon as they hear "IRS." Some tax preparers use their clients' fear of the IRS for their own financial gain. Examples, he said, are those who charge exorbitant preparation fees for simple returns and those who are in the refund anticipation loan business.

"When I hear of somebody who goes to the storefront tax preparer and they're paying \$400 to prepare the easiest returns, it seems just wrong, immoral, unfair," Jenson said.

The unscrupulous tax preparer arrives at that figure, he said, by recommending add-ons, such as a fee to be present if the client is audited, a fee for insurance to cover only mathematical errors, and another fee to e-file. Often, that tax preparer then offers to write a refund loan check for another fee or percentage.

"The IRS isn't interested in auditing good, hardworking Oklahomans. They shouldn't be afraid of the IRS," Jenson said. "If we know the rules of the law and we follow them, we don't have any worries. I never tell my clients the IRS is going to show up at their door. Nowadays, the IRS is friendlier and more helpful than ever.

"I can't wait until we get to see the enforcement with this."

Coy Ivey, CPA, with Olde Towne Tax & Accounting, 101 S. Broadway, expressed similar complaints with incompetent and predatory tax preparers, but said the issue is broader. He suggested the IRS needs to provide better, faster, professional contact with the preparers when they have issues that need to be resolved. He also thinks the taxpayer should act more responsibly in selecting a tax preparer.

"We have a tax preparer hotline, called a practitioner priority service number," Ivey said. At times, he said, the people who answer the phone aren't well trained and don't know the tax law. The preparers, he said, may get transferred to different divisions, each time waiting 30 minutes to reach an IRS representative.

"We need improved efficiency between the preparers and the IRS," Ivey said.

Ivey doesn't let the taxpayers off the hook, either. "That's sometimes where the buck starts," Ivey said. "A whole lot of taxpayers want to pay a cheap price for a quick tax return. If you're going to have a professional who is trained, has a payroll to meet, has a license to keep up, has years of college, has years of experience, you're going to pay for that service."

On the other hand, Ivey said, if the taxpayer chooses an untrained person preparing taxes in their bedroom for a third of the price, taxpayers should expect a third of the service. The taxpayer who chooses an immediate refund anticipation loan instead of waiting seven to 10 days for direct deposit should expect to pay for their impatience.

Taxpayers also should be wary of using software to answer questions that result in an online return. "It's hard enough for us as professionals to keep up with the tax laws and changes. Now we have taxpayers who know nothing about the tax laws getting online and clicking a box," Ivey warned. "One wrong click, and you've just created a complicated return."