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IRS Outlines Plans for Tax Preparer Registration and Testing at NSA Board Meeting

***Three-year implementation includes registration
beginning in September 2010***

Alexandria, VA, May 27, 2010 — David R. Williams, the Internal Revenue Service (IRS) Executive Lead for Implementation for the proposed IRS regulations for tax preparer registration and testing, gave a complete rundown on the program at the National Society of Accountants (NSA) Board of Directors meeting on May 21, 2010.

The target launch date for the online registration system is September 2010, and Williams and his team are focusing much of their efforts on achieving that initial goal.

Under the program, Federal tax return preparers who are paid to prepare all or substantially all of a tax return or claim for refund will be required to obtain a Preparer Tax Identification Number (PTIN), which must be used after December 31, 2010, by all paid federal tax return preparers on the returns or claims they sign. The PTIN will be valid for three years.

Williams emphasized that tax return preparers who apply for a PTIN will be subject to tax compliance checks to ensure the tax return preparer has filed all required tax returns and paid, or made proper arrangements with the IRS for the payment of, any federal tax debts. The same checks will be in effect for PTIN renewals in the future.

“Be proactive,” Williams advised. “Resolve any tax compliance issues now before applying for or renewing a PTIN.”

Current IRS recommendations would require any paid tax return preparer who is not an enrolled agent, attorney, or Certified Professional Accountant (CPA) to pass a competency test within three years from the initial implementation date of the registration program.

The IRS is developing two levels of competency tests – one for wage and non-business 1040 returns and a second test for wage and small business 1040 returns.

These tests are expected to be available by April 2011 – until then, existing tax return preparers will be permitted to obtain a PTIN and continue preparing tax returns during this transition period, which will last until the PTIN must be renewed in three years. Once testing is available, new unregistered unenrolled tax return preparers will be required to pass the competency test *before* they obtain a PTIN and begin preparing tax returns.

Because of this, Williams said the IRS is encouraging tax preparers to register and obtain a PTIN later this year and take advantage of the three year transition period to take and pass the examination.

“We want to encourage people to become registered IRS preparers,” Williams said. “You are not going to see a lot of communication to the public initially about checking for PTINs. We do imagine starting to focus a big education effort on preparers themselves in the middle of 2011.

“Then we will have outreach to the public. A lot of people in the gray market will be looking at the system. We will be trying to do as much as possible through the consumer push to get preparers to not go underground.”

The public awareness campaign will educate taxpayers, preparers, and employees on the new requirements and standards, and Williams told NSA leaders, “We want to partner with you in developing messaging for the public awareness campaign.”

The overall implementation of the program extends across three years, allowing tax preparers time to register and take the competency test(s). After three years, PTINs will be revoked from any tax preparers who have not passed the competency test for the types of returns they prepare.

As the program evolves, the IRS will begin comparing the types of returns preparers are signing and submitting with the competency test(s) the preparer has passed to ensure they are qualified.

“At some point in the future we will have an 1120 exam,” Williams said. “We are trying to minimize the number of exams initially to capture the basic information.”

Other IRS recommendations for the program include requiring every paid tax return preparer who is not an enrolled agent, attorney, or CPA to complete 15 continuing education (CE) hours per year, including three hours of federal tax law updates, two hours of ethics, and 10 hours of federal tax law.

This would include revamping the current CE sponsor approval program.

“We are trying to focus CE on information that will affect preparing tax returns.” Williams explained. “There are lots of organizations out there with their own CE, and we are very aware that there is a lot of value that you bring to the table. We want to make sure that all CE providers offer a minimum level of value. We may step on some little toes but not the whole foot.”

The IRS is also very conscious of how easy it is to replicate certificates and other credentials using modern software programs, and is planning to create a public database of registered tax preparers to provide a backstop for consumers.

Williams said the IRS “will have a more specific proposal in a month or two and we anticipate public comments on this.”

He summed up the effort by noting, “Development of a comprehensive compliance and enforcement strategy is a critical component. If we do not stop business from going to fly-by-night firms and taking business away from honest preparers, we won’t have accomplished anything.”

NSA has extensive information about the proposed IRS tax preparer regulation initiative online at www.nsacct.org.

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