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Tax Filing Season 2010: Efforts Increase to Ensure Accurate Return Preparation

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During the 2010 tax filing season, the Internal Revenue Service will step up its efforts to ensure paid tax return preparers are assisting clients appropriately.

Starting this week, the tax agency is sending out more than 10,000 letters to tax return preparers to remind them of their obligation to prepare accurate tax returns on behalf of their clients. These letters will inform tax preparers about the kinds of common errors the tax agency is seeing on returns.

This tax return preparer initiative coincides with the announcement by Commissioner Doug Shulman of the results of the Return Preparer Review. The effort is part of an overall effort to increase oversight of return preparers, a key part of the tax administration process.

Letters

The IRS is sending letters to paid preparers nationwide. These preparers are among those with large volumes of specific tax returns where the IRS typically sees frequent errors. Specifically, the letters will encourage return preparers to:

- Review pertinent books and records of Schedule C filers.
- Determine the correct itemized deductions of Schedule A filers.
- Make sure those who claim dependents and the EITC are entitled to do so.
- Ask first-time homebuyers the right questions to make sure they qualify for the First Time Homebuyer Credit.

The letters will also remind tax return preparers of the consequences of filing incorrect returns. This includes monetary penalties, suspension or expulsion from participation in IRS e-file, civil injunctions barring the return preparer from preparing tax returns and referral for criminal investigation.

Visits

This filing season, IRS representatives will visit thousands of tax return preparers who received these letters to discuss many of the issues described. This is part of a broader effort by the IRS to step up its efforts to ensure paid tax return preparers are assisting

taxpayers appropriately. Separately, the IRS will be conducting other compliance and education visits with return preparers on a variety of issues.

In addition, the IRS will more widely use investigative tools during this filing season aimed at determining tax return preparer non-compliance. One of those tools will include visits to return preparers by IRS agents posing as a taxpayer.

During this effort, the IRS will continue to work closely with the Department of Justice to pursue civil or criminal action as appropriate. Every year, hundreds of criminal investigations are initiated against problem return preparers. In 2009, 124 were sentenced, with the average incarceration rate running 18 months.