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IRS PLANS CONTACT WITH TAX RESOLUTION COMPANIES, TALKS WITH CONSUMER FINANCIAL PROTECTION BUREAU

By William Hoffman

The **IRS** plans in coming months to start contacting tax debt resolution businesses based on what it is seeing in advertising, commerce, online, and through consumer complaints, **IRS** Office of Professional Responsibility Director Karen Hawkins told members of the new National Association of Tax Resolution Companies (NATRC) in Washington on May 21.

Hawkins offered no details about the scope or content of the planned contacts, but said the **IRS** has also held preliminary discussions with the Consumer Financial Protection Bureau about Circular 230's authority and jurisdiction, "as well as on our mutually shared concern to protect the taxpaying public and consumers." (For prior coverage, see Doc 2012-1892 or 2012 TNT 21-10.)

Hawkins said the two agencies will continue their dialogue and evaluate how they can partner to combat abuses in the tax debt resolution industry, which earlier this year has seen the bankruptcies of Tax Masters, JK Harris & Co., and California's "Tax Lady" Roni Deutch following cases against them. (For prior coverage, see Doc 2012-7195 or 2012 TNT 66-2.)

"I do know," Hawkins added, "that there is no intention for [the bureau] to put regulations out dealing with tax debt resolution activity without continuing dialogue and conversation with OPR and better understanding about how that would interplay with the Circular 230 provisions."

Hawkins: Updated Circular 230 Rules

The NATRC is the culmination of tax resolution industry organizing efforts that began two years ago with its work to amend the Federal Trade Commission's Telemarketing Sales Rule, which prohibited the industry's use of advance-fee pricing. (For prior coverage of the FTC rule, see Doc 2010-23282 or 2010 TNT 208-13.)

Michael Rozbruch, the new president of the NATRC, estimated that with approximately 10 million Americans facing tax disputes in excess of \$ 20,000 each, and debt resolution companies charging about \$ 5,000 per customer, tax debt resolution services is potentially a \$ 50 billion-a-year industry.

Besides reducing the reputational damage and bad press earned from Deutch, Harris, and Tax Masters, NATRC members also face the possible extinction of their business model, though enforcement of advance-fee pricing has been deferred by the FTC. "The reality is, this industry is not in a very good situation right now," said NATRC Executive Director Mark Guimond.

Guimond said Hawkins's address to the group laid out a roadmap for members to follow to stay within the **IRS's** good graces -- starting with her unequivocal assertion that tax debt resolution companies are subject to **IRS** Circular 230 regulations governing practice before the **IRS**.

Hawkins outlined almost a dozen sections of the final (as of August 2011) Circular 230 that she said govern tax resolution services. They included section 10.20, on submitting records to the **IRS**; section 10.21, on noting errors and omissions to taxpayers; section 10.22, on due diligence and accuracy of information reported to the **IRS**; section 10.27, on "unconscionable" fees, which Hawkins said the **IRS** may claw back; and section 10.30, which prohibits false or coercive solicitations.

"I hope . . . you will embrace these new Circular 230 provisions as part of your best practices expectations for your members, and that you will otherwise support the efforts of OPR to enforce them when it is appropriate," Hawkins said.