

IRS News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.IRS.gov/newsroom

Public Contact: 800.829.1040

IRS Issues Proposed Regulations to Safeguard Taxpayer Information

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WASHINGTON – The Internal Revenue Service today issued proposed guidance on the disclosure or use of tax return information by tax return preparers. A key principle underlying the proposed guidance is that tax return preparers may not disclose or use tax return information for purposes other than tax return preparation without the knowing, informed and voluntary consent of the taxpayer.

The pre-existing regulations under Internal Revenue Code section 7216 were drafted in the early 1970s, prior to the advent of many of the business practices and technology uses that define the electronic preparation and transmission of tax returns by preparers.

The proposed regulations broaden the definitions of tax return preparer and tax return information, revise the manner and form of obtaining taxpayer consent to use or disclose tax return information and add a requirement to obtain taxpayer consent before preparers send tax return information offshore.

“Safeguarding of tax return information is critical,” said IRS Commissioner Mark W. Everson. “It’s vital we update the preparation rules for the 21st century. Americans ought to know when their tax returns are being outsourced and prepared abroad. In particular, I want to thank Massachusetts Rep. Ed Markey and others for drawing our attention to this important issue.”

The new regulations also take into account the presence and wide-spread use of computers in tax preparation. If a tax return preparer hires contractors who will need access to tax return information to repair computers or data files, the tax return preparer must notify those contractors that they will also be subject to restrictions on their use or disclosure of tax return information.

The proposed regulations are open to public comment for 90 days after their date of publication. A public hearing on the proposed regulations has been scheduled for April 4, 2006 at 10 a.m.