

IRS News Release

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IRS Announces New Return Preparer Application System and User Fee

IRS Also Releases Proposed Regulations to Amend Circular 230 Rules

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WASHINGTON — The Internal Revenue Service today announced that a new online application system for compensated tax return preparers is expected to go live in mid-September. The IRS has proposed to require all individuals who receive compensation for preparing all or substantially all of a federal tax return or claim for refund after Dec. 31, 2010, to have a Preparer Tax Identification Number (PTIN).

Under the proposed regulations, compensated tax return preparers will need to obtain, or reapply for, a PTIN and pay a user fee using this new comprehensive system, which is part of a series of steps planned to increase [oversight of federal tax return preparation](#). Tax return preparers will be creating PTIN accounts with the IRS when they use the new system.

“This is an important first step because it lays the groundwork in our efforts to ensure the quality and integrity of professional tax return preparation, which most taxpayers rely on in one form or another,” said IRS Commissioner Doug Shulman.

Compensated tax return preparers would pay a \$64.25 user fee the first year for a PTIN based on two underlying costs. The IRS proposes to collect \$50 per user to pay for outreach, technology, and compliance efforts associated with the new program. And the third-party vendor will receive \$14.25 per user to operate the online system and provide customer support.

Under the proposed regulations, compensated tax return preparers will be required to renew their PTINs annually and pay the associated user fee. The amount of the fee may change in future years as the actual program costs are periodically reevaluated.

Under the proposed regulations, the requirement to sign up on the new system will apply to all compensated tax return preparers of federal tax returns regardless of whether they currently possess a PTIN. Tax return preparers who already have a PTIN generally will be reassigned the same number. Any individual who plans to prepare all or substantially all of a tax return for compensation must obtain a PTIN even if the individual is not subject to the testing and continuing education requirements that will be required under Circular 230, according to the IRS’ proposed regulation. Access to the online application system will be through the Tax Professionals page of IRS.gov.

The IRS [previously announced](#) its portion of the total annual fee in proposed regulations (REG-139343-08) and interested parties have until Aug. 23, 2010, to submit comments on

the regulations. A hearing on the proposed regulations is scheduled for Aug. 24, 2010. The launch of the new online application system and proposed user fees are dependent on the publication of final regulations on user fees and final regulations of the requirement to obtain a PTIN.

Proposed Regulations Released Related to Circular 230

The IRS also today released proposed regulations that would amend Treasury Circular 230, the rules governing practice before the IRS. The proposed regulations generally would extend current regulations that apply to attorneys, certified public accountants and other specified tax professionals to all tax return preparers, including currently unenrolled tax return preparers.

The proposed regulations (REG-138637-07) would clarify the definition of practice, establish a new registered tax return preparer designation and the eligibility requirements for becoming a registered tax return preparer, repropose standards with respect to the preparation of tax returns, revise rules regarding continuing education providers, and amend multiple other sections of Circular 230.

Tax professionals and other interested parties have until Oct. 7, 2010, to submit comments regarding the proposed regulations.

Existing PTIN Application Process to Suspend Operations

In preparation for the launch of the comprehensive new PTIN system, the IRS will cease issuing PTINs effective Aug. 22 using Form W-7P, Application for Preparer Tax Identification Number, and through e-services – Online Tools for Tax Professionals. If you apply for a PTIN before Aug. 22, 2010, you will have to reapply once the new online PTIN application system begins.