

Daily Tax Report

IRS Triples Phone Service Help for Tax Preparers Trying to Register

By Diane Freda

The Internal Revenue Service has more than tripled the number of employees answering its tax preparer registration program call-in lines, in efforts to cut down on long wait times, Return Preparer Office Director David Williams said Dec. 14.

The pronouncement was one of many made by Williams during an IRS webinar updating developments in the Return Preparer Office and Office of Professional Responsibility.

Williams said IRS did not anticipate that phone service would be such a problem, but much of it has been brought on by practitioners forgetting the e-mail passwords they used to set up their registration accounts.

“What that meant was, we were getting way more calls than anticipated, and people who had much more difficult problems couldn't get through,” he said. His office continues to work on improving service.

Williams also addressed the ticklish subject of when tax preparers can begin advertising that they are registered tax return preparers (RTRPs).

Under the tax preparer registration program, anyone who prepares all or substantially all of a tax return for a fee must obtain a preparer tax identification number (PTIN) in order to prepare returns in 2012, and until the preparer has successfully completed competency testing, cannot hold themselves out as an RTRP.

After that time, Williams said preparers are free to begin handing out business cards with their credential. Certified public accountants, attorneys, enrolled agents, and those supervised by them are exempt from the testing requirements. However, one requirement goes along with the RTRP moniker.

“If you want to advertise, that's great,” Williams said. “But if you are going to have paid advertising, you will need to explain that the IRS does not endorse any particular preparer, and if customers need more information, they should go to IRS.gov.”

Once IRS embarks on its public information campaign about the registration program, it will make sure the public knows that a tax preparer must be a CPA, attorney, enrolled agent, or registered tax return preparer in order to prepare returns.

Fees Justified.

While practitioners continue to complain about the registration fees, Williams said the Return Preparer Office he heads has undergone three audits to ensure that its fees for PTINs (obtained through registration) are designed to cover only the cost of the new tax preparer registration program. They are not being used to subsidize any other activities at IRS, he said.

Despite the fact that the fees have been determined to be reasonable at \$64.25 for a new registration and \$63 for a renewal, Williams said he wants to lower them even more.

The \$116 competency testing fee will not be waived if someone takes the test and fails. It can be taken again as many times as necessary, he said, but the fee applies each time.

“We've been open for business [for] several weeks,” Williams said of the test administered by Prometric. Several hundred people have taken it so far, but IRS said that in order to establish a passing score, more preparer test results are needed.

“It is designed to ensure that people who take it demonstrate competency in taxes. It is not designed to flush people out of the system because we want to get rid of a certain number of people,” he said. Those who have taken it have given good feedback, and IRS will be responsive if there are problems with the test.

For those with anxiety about test-taking, Williams recommended course preparation, but said preparers should be sure it is one that practices answering multiple-choice questions.

Background Checks.

The service is considering how to handle background checks for tax preparers after hearing from practitioners that its proposed rules might not be the best way to go. IRS plans to do background checks relating to felony convictions and payment of taxes, but was told that consumer counseling agencies might be a better bet than FBI fingerprinting.

The IRS proposed rules that would have required tax preparers to get fingerprints in order to get a PTIN.

“We got a lot of feedback saying fingerprinting could be costly, and difficult, particularly for those living in rural areas,” so other options are being considered, Williams said.

Circular 230 Jurisdiction.

Anyone who gets a PTIN will be under the jurisdiction of Circular 230, said OPR Director Karen Hawkins.

Two key sections of Circular 230 will apply to tax preparers. Section 10.22 applies to reasonable inquiries a tax preparer must make if the information supplied by a taxpayer appears to be incorrect, inconsistent, or incomplete.

Section 10.34 applies to the standards that tax preparers must abide by when signing tax returns and advising on positions on tax returns.

“That's a big section [10.34] people really need to be familiar with,” Hawkins said.

Sections on conflicts of interest and prohibitions relating to negotiating refund checks for clients also will be important, she said.

In the due diligence context, Hawkins said sanctionable problems have arisen when someone has prepared a return and has been “less than conscientious” about the way they have made determinations about the positions they are taking. Referrals in that instance would come in from revenue agents examining returns.

Conflicts of interest are more apt to arise after referrals have been sent to OPR, and Hawkins said her office sees the conflict of interest.

Conflicts can arise from representing more than one taxpayer, such as a husband and wife, or in advising on a position on a return, she said.

While her office does not have the authority to impose penalties, it does have the authority to negotiate them, and can instigate litigation.