

Talking Points of Ruth Moore

California Franchise Tax Board

FTB's Views and Opinions

- Goal 5 of FTB's Tax Gap Strategic Plan is to "Support High Standards for Tax Professionals". In addition FTB also recognize that we must partner with others to achieve the strategic goals.
 - The compliance efforts FTB performs for CTEC contributes to meeting this goal.
- FTB supports efforts that helps to educate tax professionals prepare quality returns. The CRTPs initially must have 60 hours of tax preparation training prior to preparing returns for a fee. In addition, CRTPs must complete 20 hours of continuing education annually. FTB believes that this training contributes to more knowledgeable tax preparers than those without the education.
- A challenge for all tax agencies is identifying tax preparers preparing returns for a fee and not signing the return.
- Just as with attorneys, CPAs and EAs, licensure and testing of "the unenrolled" is no guarantee that preparers are ethical and will prepare accurate returns.

Recommendations

- Tax Preparers may "sign" the tax return using a variety of identification numbers: SSN (individual number), PTIN (individual number), and FEIN (many to one). This makes identifying the actual tax preparer difficult, increasing enforcement challenges.

Recommendation: We support the Treasury Inspector General for Tax Administration (TIGTA) request¹ to have one identifying number to make the process of identifying tax preparers more efficient and accurate, as long as that identifying number indicates the professional designation, tax preparer name and other identifying information (SSN, addresses, phone number, etc). To make this number effective, the identifying number must be used for both federal and state income tax returns and the number along with the associated information must be shared with the states for their use.

Recommendation: If a tax return is filed with an invalid Preparer Identification Number, we suggest that the tax return preparer information be corrected through the exile edit process before being accepted. Currently, some tax preparers will put in any number to meet the Preparer Identification requirement. Incorrect information makes it difficult to identify the preparer – critical information if there are problems with the return.

FTB Enforcement Process for the California Tax Education Council

The Franchise Tax Board (FTB) enforcement program uses FTB information to determine who currently prepares income tax returns for a fee. The information is sorted to eliminate identified CPAs, EAs, attorneys and CTEC Registered Tax Preparers (CRTPs). The remaining preparers are the pool of potential preparers that may not be registered. For efficiency, this information is sorted by geographical areas and a Master List is developed. The FTB-CTEC enforcement team visits (or sends letters) to the areas with the largest number of unidentified preparers.

In addition, the team receives referrals from:

- CTEC – California Tax Education Council
- California Board of Accountancy
- California State Bar
- IRS – Internal Revenue Service
- CSEA - California Society Enrolled Agents

All referrals are researched to determine if they warrant a visit.

In preparation for visits:

The staff determines which tax preparers would qualify for a visit by further research:

- Determine who the preparer is and where located,
 - using various internal information sources
- Determine if the preparer is exempt.
 - If not, determine if the preparer is preparing returns for a fee and how many
- Prior to visit, print documentation that confirms the preparer is preparing tax returns
- We do our best to eliminate compliant or exempt tax preparers from our list. We are not completely successful due to the lack of information regarding Enrolled Agents and the ways some preparers “sign” the returns. A “signature” may not be valid or does not match the information in our data bases.

Additional research is done:

- Is the preparer working on independently?
- Does the tax preparer have employees?
- Are the employees registered?
- Is the preparer a “repeat offender”?

Enforcement Results

Separately attached file 1

Educational Efforts

- “Registered Tax Preparers”

http://www.ftb.ca.gov/professionals/registered_tax_preparers.shtml

- FTB and IRS joint effort in writing “Choosing a Tax Preparer”. This was produced in English, Spanish and other languages

<http://www.ftb.ca.gov/forms/misc/982.pdf>

- FTB’s Public Affairs Office works closely with CTEC to educate California taxpayers by including information on CTEC Registered Tax Preparers (CRTP) in any efforts that discusses tax preparers.

ⁱ TIGTA, “Practitioners Push for Federal Preparer Identification Program”; Tax Notes Today, July 21, 2009