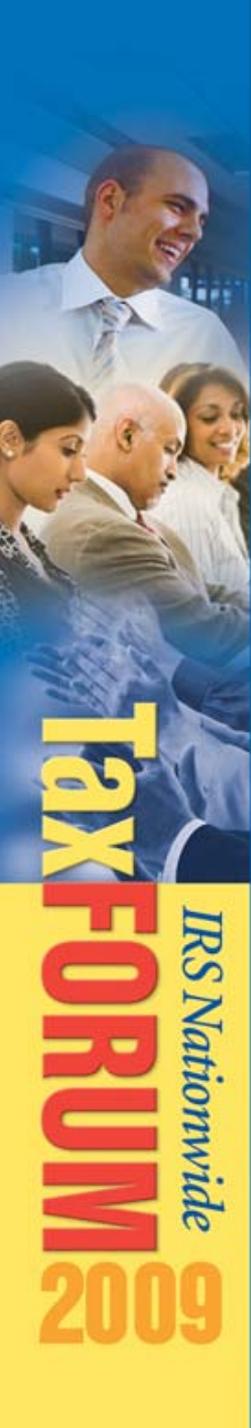


Key Role of Paid Preparers and Preparer Performance Issues

Presented by
Government Accountability Office

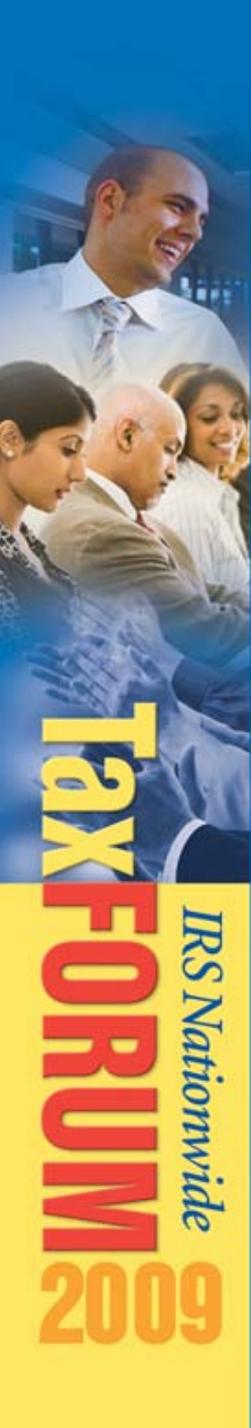


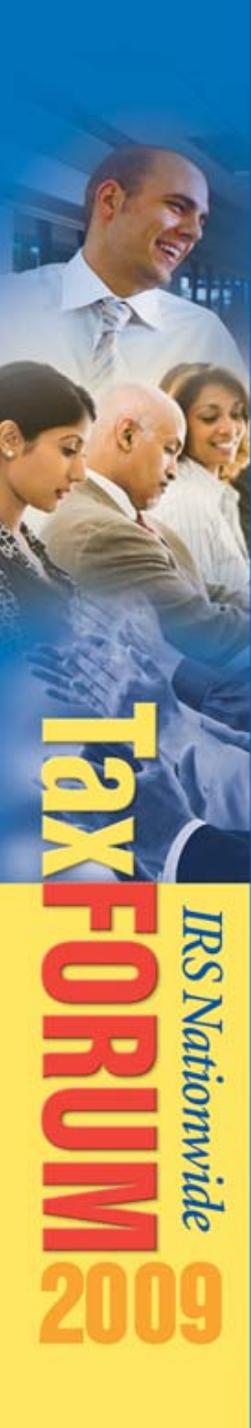
Few Taxpayers Go It Alone

- In 2007, about 59 percent of 1040 filers used a paid preparer and another 28 percent used software
- Taxpayers rely on outside help to navigate a complex tax code
- Unscrupulous or inaccurate preparers add to the tax gap

Preparer Issues in GAO Studies

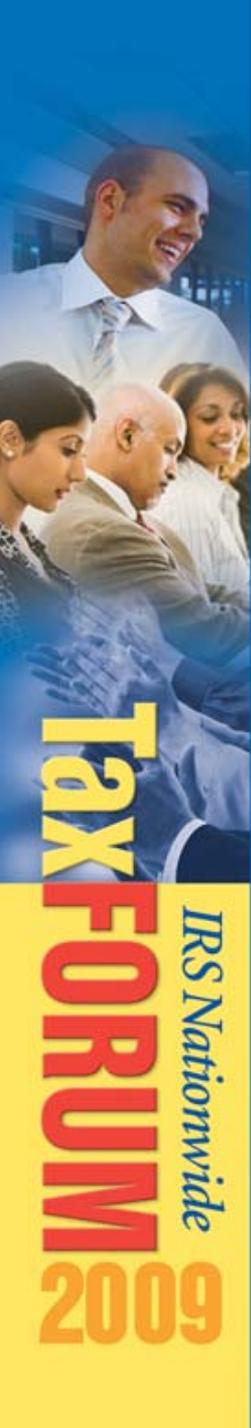
- Preparers made mistakes on education credits, schedule A, and sole proprietor returns
- GAO and others' undercover investigations have identified serious problems





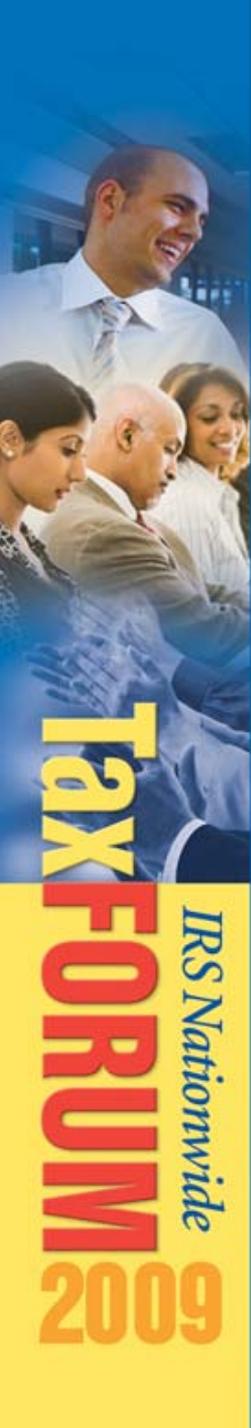
Errors on Prepared Returns

- We do not know the reason for the problems on returns
 - Taxpayers may mislead their preparer
 - Preparers may be misinformed
 - Some errors appear deliberate



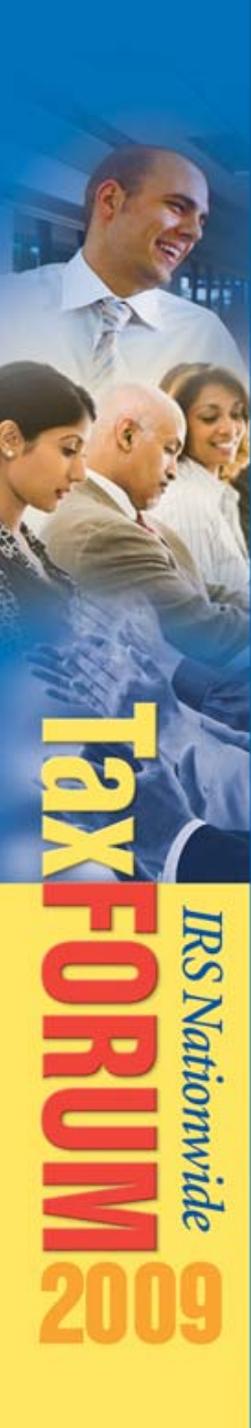
Implications of Preparer Errors

- Preparer errors mean taxpayers may overpay or be subject to IRS enforcement
- Unscrupulous preparers compete unfairly with accurate preparers
- Noncompliance erodes taxpayer confidence in the tax system



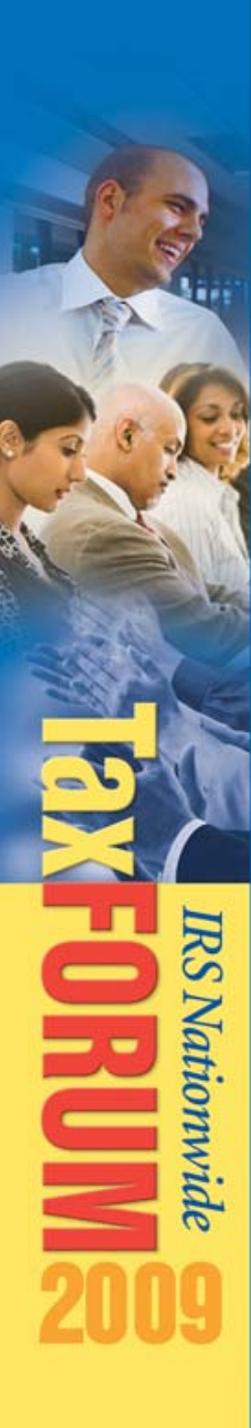
GAO's Oregon/California Study

- Oregon requires education, testing, and annual license renewal
- California requires education, annual registration, and a surety bond
- GAO compared tax return accuracy with the rest of the country



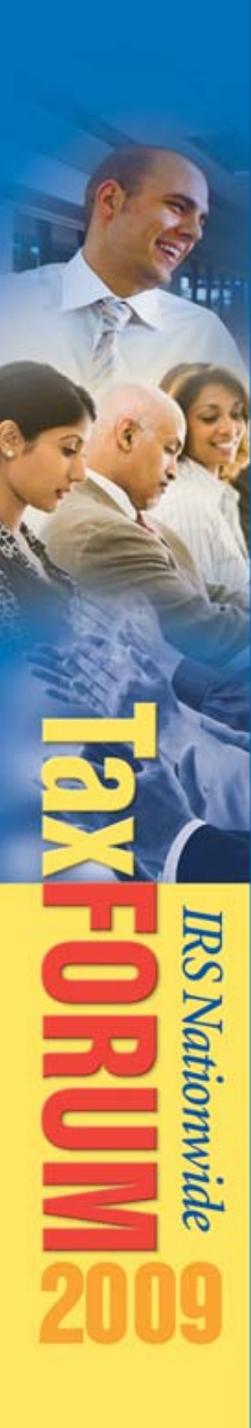
GAO's Oregon/California Study Limitations

- GAO's model used IRS's NRP data and controlled for factors that can influence accuracy
- GAO's model does not account for all factors that may affect accuracy
- Model cannot identify which program elements made a difference



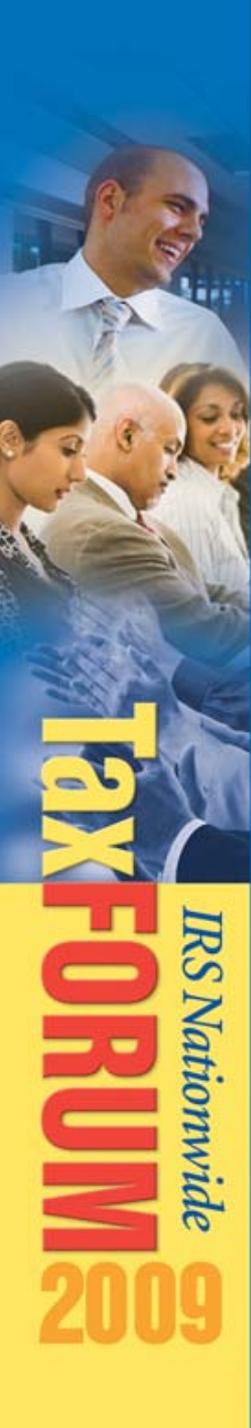
Oregon/California Study Findings

- Oregon returns were more likely to be accurate than the national average
- California returns did not have a higher likelihood of accuracy
- Oregon's program costs far less than the revenue gained by better accuracy



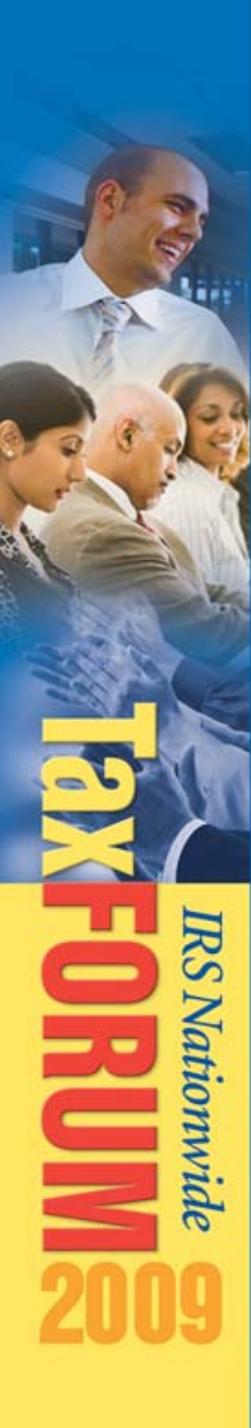
State Initiatives

- Maryland enacted preparer education and testing requirements in 2008
- Other states have considered preparer regulations
- Grandfathering, testing, enforcement are key questions



Possible Next Steps

- Consistent use of unique identifiers for all paid preparers
- IRS tracking of preparer performance issues
- Congress has considered but not passed preparer licensing legislation



Conclusions

- Preparers play an important role in tax administration
- Poorly prepared returns add to the tax gap, harm taxpayers, and unfairly compete with scrupulous preparers
- Federal regulations will depend on Congress weighing benefits and costs

Additional Information

- GAO Reports on Tax Preparer Issues:
GAO-08-781, GAO-06-563T
- Report on Software: GAO-09-297
- Primary GAO Point of Contact for Tax Preparer Issues – Michael Brostek,
brostekm@gao.gov

