

MORE OVERSIGHT OF TAX DEBT REPRESENTATION INDUSTRY EXPECTED SOON.

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Two federal agencies are soon expected to increase oversight of the largely unregulated tax debt representation industry.

The Consumer Financial Protection Bureau (CFPB) is expected to propose a rule within weeks that will likely place the tax debt representation industry under the agency's supervision, according to a lobbyist who works for the industry. And the IRS Office of Professional Responsibility will soon begin to look more closely at tax debt relief firms, according to OPR Director Karen Hawkins.

The industry has come under fire recently for allegations that some firms make unrealistic promises to settle clients' tax debts with the IRS, charge upfront fees for services, and then fail to deliver on those promises. The Federal Trade Commission and state attorneys general have won some high-profile cases against tax debt firms in recent years.

The CFPB has until July 21 to issue a final rule defining "larger participants" in the debt market that will fall under the agency's nonbank supervision program. Mark Guimond, a lobbyist working on behalf of the tax debt representation industry, told Tax Analysts the CFPB will likely release a proposed rule in the coming weeks that will include tax debt resolution firms in that definition. Attorneys and CPAs will likely be exempt from the rule, said Guimond, CEO of the National Policy Group.

Hawkins told Tax Analysts that in the coming months her office will be looking into its role in overseeing tax debt representation firms. Final regulations that became effective in August expanded Circular 230's jurisdiction, allowing OPR to examine the representation practices of tax debt resolution firms, she said.

While OPR may be unable to enforce traditional sanctions against the firms such as barring them from practice, Circular 230 gives the office the authority to impose a monetary penalty equal to 100 percent of the gross income derived or expected to be derived from the conduct giving rise to the penalty, Hawkins said.

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