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is that someone that handles sensitive information, like Social Security Numbers ...

**Craig Smalley** • Mar. 31, 2018



In the State of Florida, the Department of Business and Professional Responsibility (DBPR), licenses barbers, beauticians, and other professions. The fact of the matter, is that someone that handles sensitive information, like Social Security Numbers,

bank account information, doesn't have to be licensed, much less take a test to

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through Nanny Income. Now, anyone licensed will tell you that a nanny is required to get a W-2, a fact that was lost on this preparer. The company in question, used this methodology, until their tax program, changed the way that Nanny Income was reported, and forced them to report that income as wages, with no W-2 to backup the entry.

The IRS, eventually caught wind of this, and launched a phishing expedition, gathering evidence for Criminal Investigation (CI). The IRS had, sent in an agent, incognito, to pose as a taxpayer, and saw how the business operated. The business had a client fill out a form, as a way to do some form of due diligence. The agent filled out the form, and had her return prepared. As the return was prepared, the preparer, gave the agents hints on how to get a higher refund, but that would cause the preparers fee to be more. We can't charge a fee based on our client's refund, not to mention we can't explain that increasing income, taking a college credit for a person that didn't go to college, would give the client a better result.

The outcome of the audit was that the preparer got their EFIN, and PTIN shut off. There was no criminal investigation, and the preparer had to pay a \$2,000 penalty. The company is still in business, with the preparer acting as a consultant, and the same thing is still going on.

A few years ago, the IRS tried to regulate tax pros. However, their mistake was adding the component of representation. The case was struck down by the Supreme Court. However, there needs to be some test or even just a demonstration from a tax professional that they know what they are doing. This needs to be coupled with some oversight, along with some continuing education.

What happens on our end, is that you meet with a client. You give them a range of what something will cost. They will then go to an unlicensed professional, whose

fees will be a fraction of yours. The client doesn't know that they are comparing an

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knowledge, are required to take continuing education. Why not level the playing field and require that of all tax pros?

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