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Just a few years ago, the IRS started charging fees to tax return professionals to obtain a Preparer Tax Identification Number (PTIN). In June it shut down the entire system temporarily to sort things out. Now you can obtain a PTIN again – for free.

It's not because the IRS is showing remorse over regulating tax return preparers. In the last few years, it has increased efforts to weed out the bad apples by requiring annual registration through the PTIN system. And the IRS remains fully committed to that cause. But the agency was forced to respond to a new district court ruling that it can't charge fees for this purpose (Steele, No: 14-cv-1523-RCL-DDC 6/1/17)

Under the IRS system, anyone who prepares, or helps someone else prepare all or substantially all of a federal tax return, a claim for a refund or some other federal form in return for compensation must have a valid PTIN. For 2017, the fee was set at \$50. (Initially, it was free, before starting at \$50, being bumped up to \$64 and dropping back down to \$50.)

If you don't renew your PTIN on time, you may be liable for penalties, injunction, referral for criminal investigation or disciplinary action by the IRS' Office of Professional Responsibility. To add insult to injury, you're not permitted to file any returns on behalf of your clients.

But tax return preparers objected to the system from the outset and challenged the IRS in the courts. In the new case, a class action lawsuit was brought against the IRS, claiming it was unlawfully imposing fees. The plaintiffs argued that tax return preparers receive no special benefit from obtaining the PTINs. In addition, they say that the fee is unreasonable in view of the costs the IRS incurs to issue PTINs.

Previously, the IRS has indicated that the actual cost of the user fees to the agency

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charged for the PTINs to all members of the class. The bill owed by the tax collection agency is estimated to be as high as a staggering \$245 million.

There's no word yet on whether IRS will appeal the district court ruling, but it has reopened the system after suspending it for two weeks in June. Stay tuned.

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