

Bill Would Allow IRS to License and Regulate Tax Preparers

By Isaac M. O'Bannon, Managing Editor

Senator Rob Portman (R-Ohio) has introduced a new bill in the Senate that would give the Internal Revenue Service the authority to regulate income tax return preparers. The bill is cosponsored by Senator Ben Cardin (D-Missouri).

The IRS attempted to regulate tax preparers in 2011, with a program that required licensing, background checks, testing and continuing education. After losing in court and again on appeal, the courts found that the IRS did not have the statutory authority to implement these regulations, the IRS and Treasury backed down in 2014.

The Registered Tax Return Preparer (RTRP) program morphed into the voluntary Annual Filing Season Program, but it languished without real enforcement.

The Protecting Taxpayers Act (S.3278), which was read into the Senate record on July 26, 2018, would “amend the Internal Revenue Code of 1986 to provide additional protections to taxpayers,” according to the [official description](#). The bill was referred to the Senate Finance Committee. The bill is still a long way from being enacted: If passed through committee, the bill would go to the floor for a full vote of the Senate, then would need to be introduced and make its way through the U.S. House of Representatives.

“Americans work hard every day to provide for themselves and their families, and, as taxpayers, the federal government works for them,” **said Senator Portman**. “Too often, however, the federal government isn’t responsive to the needs of the people it serves, and the IRS has not always served the interests of taxpayers. It has been 20 years since the last significant IRS reform, and it is time to update the agency once again. The bipartisan Protecting Taxpayers Act will restructure and reform the IRS to make it more responsive and accountable to the needs of taxpayers and help restore Americans’ faith in this agency.”

Portman issued a press release that further explained the goal of the bill: “... to reform a number of Internal Revenue Service (IRS) functions and administrative practices in order to make the agency more responsive and accountable to taxpayers. Specifically, the bill is designed to (1) revitalize the IRS organizational structure and management; (2) increase taxpayer protections and modernize enforcement

procedures; (3) improve small business and retirement plan tax administration; (4) better serve low-income taxpayers; (5) overhaul the IRS appeals process; and (6) strengthen the IRS IT infrastructure.”

“IRS reform must be predicated on a shift toward a stronger customer-service orientation,” Robert Kerr, EA, executive vice president of the [National Association of Enrolled Agents](#), said in a statement in advance of the Senate hearing on July 25. “IRS needs the right staff, trained every year, with the right service culture to carry out its mission. In addition to cultural changes, IRS must be provided appropriate funding and oversight as well as authority to set minimum standards for return preparers.” The NAEA represents professionals who are licensed by the IRS to prepare income tax returns and represent taxpayers before the IRS. The NAEA has supported previous efforts at tax preparer regulation.

The AICPA has [issued a statement](#) supporting the new attempt at regulation. “By authorizing the Internal Revenue Service to sanction tax return preparers and revoke preparer tax identification numbers (PTIN), would allow the agency to “act swiftly and efficiently to stop preparers from continuing to file inaccurate and fraudulent tax returns.” The AICPA also noted the rights of tax advisers are protected by the bill. For example, prior to a preparer’s PTIN number being rescinded, the preparer would receive a notice and have the right to a hearing.

Tax Social Media:

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Offer in Compromise Checklist. Brandon Jones via the Canopy blog.

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Does Your State Levy a Capital Stock Tax? Katherine Loughead via the Tax Foundation.

<https://bit.ly/2MjKDiS>

Could IRS Reform Mean Smoother Waters for Tax Pros? Edward Carl via AICPA Insights.

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Indexing Capital Gains is a Bad Idea. Leonard Burman via the Tax Policy Center.

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