



Improving tax prep with a model disclosure box

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The tax preparation industry has little regulation. Although the Internal Revenue Service recently announced a program for registering the estimated one million paid tax preparers operating nationwide, the changes are tied up in court and don't include a fee disclosure box.

Three states regulate preparers but don't require a disclosure box, although the city of Chicago's new ordinance does. This approach should become more common. This brief finds that tax preparation by commercial paid preparers, despite being important to households, suffers from a lack of transparency and fee disclosure. Clients struggle to compare prices and services and get information about credentials. This brief makes three recommendations to fix that.

1. Require a disclosure box that clearly breaks down services and costs, uses standard terms, and clearly distinguishes tax preparation costs from costs for early receipt of a refund. If the client is being offered a loan or a refund anticipation check, the preparer should explain prices and how much it will speed receipt. The box should also stress the availability of direct deposit. We should require that preparers provide this form in person at the store, on their website, and describe it by phone when requested. See our sample box on this page.

2. The federal government should allow the IRS to regulate tax preparers with licensing and education to ensure a floor for quality of tax preparation.

3. States and localities should require paid tax preparer disclosure. The three leading states (California, Maryland, and Oregon) should add this element to their existing regulation of paid preparers, as should Ohio. If states don't take the lead, localities should do so, as Chicago has.

These steps will help Americans receive quality tax preparation.

Proposed tax preparation fee box	
Service	Cost
1040 EZ return	--
Basic 1040 return	\$150.00
• Schedule A (itemized deductions)	--
• Schedule B (interest and dividends)	--
• Schedule C-EZ (self-employment)	--
• Schedule C (self-employment)	--
• Schedule EIC (earned income credit)	\$50.00
• Other Schedules (list as needed)	--
State return	\$50.00
Local return	\$25.00
Total preparation fees	\$275.00
Processing fees	
• Document storage and copying	\$25.00
Filing fees	
• Electronic filing and acknowledgement	\$30.00
• Paper filing	--
Additional fees	
• Tax refund loan	--
• Tax refund check	\$30.00
• Audit protection	\$25.00
• Return review	--
• Tax planning and research	--
• Third party fees from bank or servicer	--
Total fees	\$110.00
Refund options	
• Direct deposit to a bank account	--
• Split refund (Form 8888)	--
• U.S. Savings Bond	--
Total Preparation Cost	\$385.00
<i>Questions? Call xxx-xxx-xxxx</i>	