

New IRS database will let consumers examine tax preparers' qualifications

ANDREW ZAJAC

July 29, 2011|By Andrew Zajac

Taxpayers will be able to examine the qualifications of paid tax-return preparers in a database being built by the Internal Revenue Service that may be available as soon as 2013.

The database is part of the phased-in regulation of tax preparers that began in 2010 with a requirement that they register with the IRS. Over the next two years, paid preparers will be required to pass a competency test. They will also need to take annual continuing education courses unless they are in professions, such as accounting and law, with their own professional standards.

"The goal is to ensure that taxpayers receive top-quality service from this important industry," David Williams, director of the IRS Return Preparer Office, said in a statement before a subcommittee of the House Ways and Means Committee.

The database will contain the names, addresses, and qualifications of tax preparers, along with any publicly disclosed disciplinary actions.

Paid preparers handle about 60 percent of all tax returns filed annually. About 717,000 of them have registered so far.

Williams said the agency does not know the total number of paid preparers. The IRS has said it is contacting about 100,000 preparers who worked on returns this year and did not comply with registration requirements.

The subcommittee's chairman, Charles Boustany, a Louisiana Republican, said he is concerned that the IRS isn't doing enough to publicize its efforts.

Boustany urged the agency to "conduct outreach to ensure that return preparers and taxpayers alike know and understand the new requirements."

He also said there have been "no basic competency requirements for tax-return preparers. Practically anyone can prepare a federal tax return for any other person for a fee."

The government decided to regulate paid preparers after identifying a troubling level of errors on tax returns they had handled. In 2006, the Government Accountability Office had tax returns prepared at 19 outlets of tax-preparation chains across the country. "In all 19 cases there were mistakes," said James R. White, the GAO's director of strategic issues. "Some favored the taxpayer. Some favored the government."

Kathy Pickering, vice president of government relations at H&R Block Inc., proposed that the IRS certify the company's testing program because it exceeds IRS requirements.

Williams said he has heard from 15 to 20 businesses seeking such certification and is concerned that "we would end up with a patchwork system. Our concern was there would be consumer confusion" over which certification was valid.

David Rothstein, a researcher at Policy Matters Ohio, which examines how government policies affect low- and middle-income people, urged the IRS to require tax preparers to provide clear estimates of their charges to consumers.

Andrew Zajac writes for Bloomberg News.