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More Tax News

Toni Braxton owes IRS, Files Bankruptcy

Singer and songwriter Toni Braxton, is said to be owing the IRS and various other parties between \$10 million and \$50 million in total and intends to file for Chapter 7 bankruptcy, this time in California. This will be the second time Braxton, 43, has filed for bankruptcy.

In 1998, the multiple Grammy winning singer filed for bankruptcy for the first time arising from what she claimed to be 'money mismanagement'. On that occasion, the IRS filed a lien against the singer for \$3.9 million. Two of her Grammys were sold to pay off her debts.

This time, besides the IRS she owes money to several other companies including AT&T, Tiffany & Co, ADT Security, American Express, Wells Fargo Bank, Flamingo Las Vegas, the Four Seasons Hotel, Nieman Marcus, Direct TV and others.

Hearing on Licensing Tax Preparers to be held by IRS

Under new IRS regulations, all tax preparers who submit tax returns for their clients for a fee must apply for a paid license, take examinations and undergo periodic competency and education programs. This ruling has raised a lot of opposition to the move as many say that it would jeopardize the livelihood of smaller mom and pop tax preparers.

On the other hand, supporters of the move say that it will help to reduce the incidents

of incompetency among tax preparers who do not know how to do their jobs or simply do not do it well. Some bogus tax preparers have even promoted fraudulent schemes and caused many taxpayers to miss legitimate tax deductions that were rightfully theirs. One example is the telephone tax refund that 30% of taxpayers failed to claim.

In 2006, the Government Accountability Office (GAO) conducted a study among 19 tax preparer offices and found that 17 of them had committed material errors in the returns they made pertaining to refunds.

Dan Alban and Scott Bullock of the Institute of Justice will be testifying at the hearing Friday and are expected to voice their opinion that the new regulation will adversely affect the careers of small time tax preparers. Another point of contention would be that the licensing fee will inevitably push costs up which will in turn be passed on to the taxpayers.

Another potential headache for the IRS would be the registration process as about 700,000 tax preparers start to register themselves before the next tax year. This process will also be discussed in the hearing on Friday.