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IRS Set to Implement New Process for Tax Preparers

By the middle of next month, the IRS will begin implementation of a new online application process for paid tax preparers. Under this new process, all individuals and companies who are paid for preparing federal taxes after December 31 must be registered with a Preparer Tax Identification Number (PTIN). The PTIN requirement goes according to IRC section 6109 (a) (4) that states that every tax preparer must indicate their PTIN with the returns they prepare. Tax preparers are allowed to use their PTINs in place of their Social Security numbers.

Full implementation of this process is scheduled for the beginning of next year. This new process requires compensated tax return preparers to obtain or reapply for a PTIN and pay a user fee to use this new comprehensive system. This is part of a series of steps planned to increase the supervision of those who prepare federal tax returns.

Tax return preparers will be creating PTIN accounts with the IRS and have to pay a fee of \$64.25 for the first year when they use the new system. This amount is derived from two underlying costs. Firstly, \$50 is used for the outreach, technology and compliance efforts associated with the new system. Secondly, the balance of \$14.25 is for the third party vendor engaged by the IRS to implement the online system and provide customer support.

Under the proposed system, all compensated tax preparers are to apply for a renewal of their PTINs every year and pay the associated user fee. This fee is subject to periodic revisions depending on the costs involved in the implementation of the system. In general, there will not be any changes to existing PTINs of tax preparers upon renewal.

According to IRS Commissioner Doug Shulman, this new process is an important first step in ensuring the integrity and professionalism of tax preparation services upon which taxpayers rely on every year.

In line for the implementation of the new comprehensive PTIN system, starting from August 22, the IRS will stop issuing PTINs using Form W-7P, Application for Preparer Tax Identification Number and through e-services – Online Tools for Tax Professionals. Tax preparers who apply for a PTIN before August 22, 2010 will have to reapply once the new online PTIN application system begins.