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What You Should Know about Your Tax Preparer

Starting from this tax season onwards, the IRS has made it a requirement that all paid tax preparers must be registered and obtain a Preparer Tax Identification Number (PTIN). The purpose of this monitoring is to ensure a high standard of professionalism, ethics and competency among tax preparers. About 60% of taxpayers currently engage the services of a tax preparer. However, in a recent report by the Treasury Inspector General for Tax Administration (TIGTA), J. Russell George it was found that the IRS is inadequately equipped to monitor paid tax preparers to the degree they need and want to.

According to the TIGTA report, more needs to be done by the IRS and George does not expect the competency requirements to be fully implemented until 2014. This means there are many tax preparers who have not registered and whose competency might be questionable. The government has thus far allocated an additional \$460 million to the IRS for its enforcement.

But while the IRS does more to enforce their regulations and ensure a level of competence among tax preparers, you should find out some things

about your tax preparer when you engage them.

1. Find out what training they have undergone or are currently undergoing. It is important to hire tax preparers who have received some form of training or continuous education under a professional body of which they are members.
2. Find out how they charge their fees. You should not engage a tax preparer who insists on being paid a portion of your refund or asks for contingent payments of any form. Normally, tax preparers charge a flat fee, by the form or an hourly rate (if your tax situation is very complicated).
3. Find out if they can represent you in the event of an audit. Tax preparers can answer questions on the tax returns they fill but only tax attorneys, CPAs and enrolled agents are authorized to represent you before the IRS in all matters. This includes audits, collection actions and appeals.
4. Find out if the tax preparer operates all year round. This would make it possible for the preparer to answer questions about the returns they filed or help you with money-saving methods in the following tax year. Ideally, you would want to have a continuous relationship with your tax preparer and not just have a once a year contact.