



**November 10, 2011**

## **IRS Scrutinizes High Risk Tax Preparers**

As new regulations for tax preparers go into full swing, the IRS is preparing to put those it regards as 'high risk' tax preparers under the radar. At a conference sponsored by the American Institute of Certified Public Accountants in Washington, IRS Commissioner Doug Shulman said, "Beginning soon, the IRS will send letters to tax-return preparers who have been identified as high risk. The letters are intended to bring to these return preparers' attention that we've noticed some "questionable traits" on some of their returns."

At the same time, Shulman said the IRS is going to step up visits to tax preparers with egregious error rates and review earned-income tax credit claims more closely. "We will conduct in-person visits with EITC return preparers to discuss due diligence requirements, assessing penalties against those who are found to be noncompliant," said Shulman. This shows the IRS is bent on making sure taxpayers do not take advantage of easy pickings from the tax code such as the earned-income tax credit.

In May, the Treasury Department reported to the House Way and Means Subcommittee that the government may have lost between \$11 billion and \$13 billion every year through erroneously paid earned-income tax payments.

Starting this year, the IRS has implemented a registration system for all tax preparers. The registration exercise ruling requires everyone and all companies who prepare taxes for the public for remuneration to be registered with the IRS and fulfill certain requirements such as continuous education and passing examinations. This is to streamline and bring greater professionalism and accountability to the tax preparation industry that is presently dominated by big companies like H&T Block and Jackson Hewitt Tax Services Inc.

On a related matter, Shulman took a swipe at the decision by Congress to cut the IRS budget from \$12.1 billion this year to \$11.5 billion for next year. His view is that the cuts would affect the relationship between the IRS and taxpayers as it would make it more difficult for taxpayers to contact the IRS for matters such as payment plans. On top of that, any reduction in IRS budget would invariably affect the agency's abilities to collect taxes, which in turn will not do the government fiscal deficit any good.

He said, "My view is that we're pretty unique since we actually raise the funds needed to run the government. If you're having a conversation about the deficit, you shouldn't cut our budget because it actually adds to the deficit."

On the matter of tax evasion through offshore accounts, Shulman declined to comment on any possible agreements between the US and Swiss governments. Recently, Credit Suisse Group AG confirmed it was compelled by their government to reveal information on their US account holders suspected of tax evasion to the IRS.