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## IRS Initiates New Preparer Competency Test

The IRS is launching the next part of its monitoring system aimed at regulating tax preparers called the new Registered Tax Return Preparer competency test. The regulatory initiative began last year with the imposition of the Preparer Tax Identification Number (PTIN) that all paid tax preparers have to register for. Tax preparers holding a PTIN have to pass the competency test by 31 December 2013 (with the exception of CPAs, enrolled agents and tax attorneys who have their own examinations set by their respective professional groups).

Upon passing the competency test, paid tax preparers will be given a new designation, Registered Tax Return Preparer. Holders of a PTIN have to renew their PTIN registration and complete 15 hours of continuous education every year in order to maintain their Registered Tax Return Preparer status. IRS Commissioner Doug Shulman said, "This is another major step forward in our effort to enhance tax preparation service to millions of taxpayers. People should feel assured that the person they hire to prepare their federal tax returns has a working knowledge of the tax code. The majority of tax return preparers are reputable professionals but the few bad apples cause great harm to taxpayers and the industry."

The IRS has engaged a third party test vendor, Prometric Inc. to handle the technical aspects of the program. The initial test covers preparation of the Form 1040 and related schedules and begins next week. It will take between 2 to 6 weeks to receive the results after taking the test. During this time, the IRS will validate the tests and determines the pass/fail score. The validation should be completed by middle of January. Those taking the test thereafter will no longer have to wait and instead will receive their scores at the test center immediately upon completing the test, which will be computer-based.

The cost for the test is set at \$116 covering both the fee for the IRS and Prometric Inc. Initially, the test will have to be taken at certain centers only, but eventually the test will be conducted at over 260 centers nationwide. It is estimated that over 315,000 tax preparers will be taking the Registered Tax Return Preparer test. Those who pass the test will be awarded a certificate certifying them as Registered Tax Return Preparers.

Other regulatory measure being taken by the IRS to monitor the tax preparation industry include conducting background checks on tax preparers to ensure they do not have criminal records and a mandatory tax compliance check (for obvious reasons). The IRS will award the Registered Tax Return Preparer certificates to those who pass the RTRP test but may still subject them to future background checks.

There is no change in the process of becoming an enrolled agent. One has to pass a vigorous three-part Special Enrollment Examination that covers individual and business standards and representation rules. In addition, all enrolled agents are to undergo 72 hours of continuing education every three years.