



Tax Tips You Can Use November 2010

Registration of tax preparers

By Kathleen Crawford, EA

Congress has tasked the IRS with closing the tax gap. You may remember that the tax gap is the difference between the actual taxes collected and the probable taxes that should be owed. The IRS has made several major changes in 2010 to try to get the tax gap down and find the money. The next articles will discuss the changes, such as increased 1099 requirements and registration of tax preparers. These will affect taxpayers over the next couple of years.

A major change that has been implemented in 2010 affects tax return preparers. The IRS is now requiring tax preparers to register and be tested. Tax preparers must register by December 31 or they cannot sign tax returns in 2011. The theory is that if tax preparers are better trained, fewer errors will be made and the correct tax will be figured. Just to insure that theory works, the IRS has also increased penalties for preparer errors and is assessing penalties more readily.

The process is that tax return preparers must register by December 31, then pass a basic competency test within three years, and have continuing education every year. This is a good thing for states where tax return preparers only need print-your-own-business-cards to prepare taxes. Several states, including Oregon, have had testing and licensing laws in effect for some time, but the federal mandate did not exempt anyone from testing.

This is important to taxpayers because it will increase costs. The first cost is the \$64.25 that each of the 1.2 million return preparers must pay annually for registration. One sad note is that \$14.25 of the fee is for the company that is tracking the registration and the IRS gave the contract to a Scandinavian company instead of a US company. The next affect on taxpayers is that many tax return preparers have said that they will retire rather than sit for a test. This will limit the number of preparers and supply-&-demand says prices will go up. In addition, the IRS will require every tax preparer to use e-file as of 2012 (except for a very few exceptions). Last, but not least, there are several questions about the requirements for consumer software and the number of mistakes allowed.

So, during the upcoming tax filing season, taxpayers should ask their preparer about the registration and insure that they know what the preparer intends to do. Also, taxpayers who use a tax preparer should insist that the preparer sign the return with his registration number.

The Jacksonville Tax Lady, LLC can be reached at 541-899-7926 and is located in beautiful, historic Jacksonville at 610 N. Fifth Street across from the Pony Espresso.

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