

The IRS requires paid tax return preparers to obtain a license from the IRS.

Prior to the current IRS regulations that take effect January 1, 2011, any person regardless of their education or experience, could prepare tax returns for a fee. Starting with this tax season all paid tax return preparers must apply for and obtain a license from the IRS. Licenses are valid for one year and must be renewed annually. A licensee must meet certain qualifications standards including knowledge of the tax code and regulations. If the preparer is not a licensed CPA in a State that requires continuing education to maintain their CPA license, then the preparer must pass an IRS examination. I obtained my license in October 2010.

Pennsylvania requires all CPA's to obtain 80 hours of continuing professional education every two years. 16 hours of CPE in Accounting and Auditing, 4 hours in Ethics, 8 hours in Tax and the remaining 52 hours are electives. The elective CPE can be in the categories above or others so long as the class is approved by the State Board. I take all of my electives in Tax. Prior to the current IRS regulations, non-CPA tax return preparers were not required to maintain a current knowledge base of the tax code to provide services.

I applaud this initiative from the IRS as it "raises the bar" for non-certified paid tax preparers and hopefully will reduce the level of tax code abuses by preparers that affect all of us. For example, several years ago the IRS found that several paid tax preparers working for one of the national chain tax preparation firms encouraged their clients to deduct charitable contributions of 70 to 80% of their adjusted gross income.

The IRS took this abuse to Congress and Congress passed a pork barrel provision to the 2006 Pension Protection Act requiring a receipt for every charitable contribution of \$1 or more. I hope the new IRS license requirement stops these types of preparers from abusing the system and that will eliminate any further stringent documentation counter measures from the IRS.

Albeit any person could prepare tax returns, only a CPA, Attorney or an Enrolled Agent ("EA") could represent a taxpayer in front of the IRS. This remains the same with the new regulations, thus some licensees may not represent taxpayers in front of the IRS. Additionally the IRS is changing how they issue EA's for retiring IRS employees.

Generally, retiring IRS employees obtain an EA license including customer service representatives, without taking the exam required for non-IRS employee EA's. A study published by the IRS found that many ex-IRS employees were not qualified to prepare tax returns. The new regulations will require retiring IRS employees to pass the standard EA exam. I strongly support this initiative as well!

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