



"Service to the Tax Profession"

**OUTLINE OF
NSTP COMMENTS ON PROPOSED PTIN REGULATIONS
FOR MAY 6, 2010 HEARING**

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REG-134235-08, Proposed Regulations under IRC 6109

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Introduction

On behalf of the National Society of Tax Professionals (NSTP), I want to thank you for letting me speak today on behalf of our membership. The National Society of Tax Professionals is a non-profit organization made up of tax practitioners with varying types of professional credentials and different levels of practice, including enrolled agents, CPAs, attorneys, and experienced unenrolled preparers. The NSTP supports the tax professional community with quality continuing education, expert updates on federal tax developments, and assistance in complying with IRS rules and regulations. All NSTP members are required to abide by our Code of Professional Conduct.

The NSTP appreciates the IRS's efforts in promptly releasing proposed regulations for registration of tax return preparers. We have polled our members regarding the new regulations, and we want to share with you their concerns relating to the cost of registration, how the IRS will use the data it collects, and the problem of nonsigning preparers.

Registration Burden

- We believe it will take between 15 and 30 minutes to register for a Preparer Tax Identification Number (PTIN). Our members do not want the burden of registering each year. Thus, a three-year registration cycle would be acceptable.

- We encourage the IRS to design the registration system in such a way that makes it secure against attempts to obtain multiple numbers or to obtain numbers by giving false information.

Registration Fees

- Many of our members are solo practitioners or members of small firms. A number of our members already pay licensing fees as enrolled agents, CPAs, attorneys and for state-licenses in certain states. An additional fee for a small business could be burdensome. If the final decision is to impose a registration fee on all tax preparers, a majority of our members believe it should be no higher than \$25-50 for a three-year license.

Effect of Registration, Use of Data

- NSTP members are in favor of the continuing education requirements and wholeheartedly support the IRS's efforts to improve the quality of tax preparation in the United States.

- However, we are concerned that the IRS will spend too much time scrutinizing honest, registered preparers rather than focusing its energy and resources on those who circumvent the system.

- Our members do not want to feel micromanaged by the IRS.

- They also believe it is not reasonable to hold preparers responsible for the accuracy of tax information provided to them by their clients.

- Our members have expressed the fear that the IRS will use the new rules to exact more penalties from diligent and ethical preparers.

- Our members are concerned with the privacy and reliability of the registration database. We believe the IRS should develop a procedure for registered preparers to review and challenge the IRS's identification and characterization of preparer errors since no system is flawless.

The Problem of Unregistered Preparers

By far, the most serious concern of our membership is that the registration plan does not address the problem of unscrupulous, "fly-by-night" preparers who produce incorrect and fraudulent returns which they do not sign.

- The IRS’s registration will not affect nonsigning paid preparers who prepare tax returns which are then filed as “self-prepared.”

- The PTIN registration requirement could drive even more tax preparers “underground” and will lead to an increase in erroneous or fraudulent “self-prepared” returns.

- The IRS must develop parallel strategies to curtail tax filings by nonsigning, unregistered paid preparers. One solution would be to restrict the use of over-the-counter tax software by limiting the number of returns filed with each copy or to require software manufacturers to require a PTIN to unlock their tax preparation software for more than one use.

Conclusion

We believe the interests of ethical, professional preparers and the IRS are aligned with regard to improving the quality of tax preparation. However, we also ask the IRS to respect the important role tax preparers play in representing their client’s best interests and in trying to manage a successful service business. We trust the IRS will take these points into consideration in formulating the final regulations.

On behalf of the NSTP Board, I want to thank you for the opportunity to present our organizations’ views on the proposed rules.