



"Service to the Tax Profession"

## NSTP COMMENTS ON PROPOSED PTIN REGULATIONS

April 26, 2010

The Honorable Douglas H. Shulman  
Commissioner, Internal Revenue Service  
CC:PALPD:PR (**REG-134235-08**)  
Room 5205, P.O. Box 7604  
Ben Franklin Station  
Washington, D.C. 20044

Re: **REG-134235-08**, Proposed Regulations under IRC 6109

Dear Commissioner Shulman:

The National Society of Tax Professionals (NSTP) appreciates the IRS's efforts in promptly releasing proposed regulations for registration of tax return preparers as we all make efforts to adjust to the new regulatory scheme. The NSTP has polled its membership regarding the new regulations, and we want to share with you our members' concerns with this first set of proposed rules. Our issues relate to the cost of registration, how the IRS will use the data it collects from tracking preparers, and the fact that PTIN registration will not address the continuing problem of unscrupulous, nonsigning preparers.

### **Registration Burden**

Most of our members believe it will take between 15 and 30 minutes to register for a Preparer Tax Identification Number (PTIN). Despite this minimal time commitment, it will be a burden on tax preparers if they have to reregister each year. A three-year registration cycle is acceptable, and, although that is the process the IRS has described in the proposed rules, our members are concerned that over time, annual updates will be required.

We also have some concern that preparers will be able to get more than one PTIN number or will find a way to use false information to obtain a PTIN. We want to encourage the IRS to design the registration system in such a way that makes it secure against these types of manipulations.

### **Registration Fees**

Our tax professionals, many of whom have a solo practice or are members of small firms, are concerned with the cost of registration. Our members already pay licensing fees as enrolled agents, CPAs, and for state-licenses in certain states. An additional fee for a small business could be burdensome. It is not this one fee that is the problem, but rather the cumulative effect of having one more fee and still more licensing requirements. A number of our members contend that there should be no fee for PTIN registration, and they have expressed concern that IRS will use the fee as a revenue-raising measure. If the final decision is to impose a registration fee on tax preparers, a majority of our members believe that it should be in the range of \$25-50 at the most 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. Registration and continuing education requirements should help weed out some unqualified preparers. However, we also are bothered by the thought 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.

Other members concerns include the fear that the IRS will begin to micromanage preparers, will hold preparers responsible for the accuracy of tax information provided to them by their clients, and will use the new rules to exact more penalties from diligent and ethical preparers who are trying in good faith to make sense of the complicated and ever-changing federal tax laws.

Finally, we believe the IRS should develop a registration system which protects practitioner privacy, which is secure, and which guards against database errors. There should be some set procedure for reviewing and challenging 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 requirement does not target this pervasive problem and instead appears to focus on honest preparers who already are playing by the rules. We also are concerned that the PTIN registration requirement will drive even more tax preparers "underground" and will lead to an increase in erroneous or fraudulent "self-prepared" returns. We urge you to spend an equal amount of time and resources to implement strategies to curtail tax filings by nonsigning, unregistered paid preparers. One solution would be to put some restrictions on the use of over-the-counter tax software to limit 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.

## **About the NSTP**

The National Society of Tax Professionals (NSTP) is a non-profit organization founded in 1985, dedicated to "Serving the Tax Professional." Our organization is comprised 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.

On behalf of the NSTP Board, I want to thank you for the opportunity to comment on the proposed PTIN registration rules. Please contact me at (410)420-2545 if you have any questions regarding these comments.

Respectfully submitted,

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Government Relations Liasion  
NSTP Board of Directors

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