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ORAL TESTIMONY OF PATRICIA THOMPSON, CPA

ON BEHALF OF THE

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON OVERSIGHT

HEARING ON THE IMPLEMENTATION OF
THE IRS PAID TAX RETURN PREPARER PROGRAM

JULY 28, 2011

Good morning Chairman Boustany, Ranking Member Lewis and Members of the Subcommittee. My name is Pat Thompson. I'm a CPA and Chair of the AICPA Tax Executive Committee. I'm also the tax partner at Piccerelli, Gilstein & Company, a CPA firm in Providence, Rhode Island. Thank you for the opportunity to appear at today's hearing.

It has been a year-and-a-half since the IRS released its report on the paid tax return preparer community. The AICPA has been a steadfast supporter of the IRS' overall goals of enhancing compliance and elevating ethical conduct. Ensuring that tax preparers are competent and ethical is critical to maintaining taxpayer confidence in our tax system. Indeed, these goals are consistent with AICPA's own Code of Conduct and enforceable tax ethical standards.

We believe the IRS should be commended for its efforts in the implementation of the return preparer program. Specifically, the IRS has devoted an unprecedented amount of time to listening to stakeholder

concerns and suggestions regarding the program, and made numerous changes and adjustments.

Since the release of the report and as the IRS has moved to implement its recommendations, the AICPA has expressed its concern regarding specific aspects of the program. One concern we had was the initial proposal to subject non-signing staff of CPA firms who are supervised by CPAs to the entire regulatory regime applicable to registered tax return preparers, including testing and specific continuing education requirements. However, we believe the changes adopted by IRS in Notice 2011-6 confirm the Service's recognition of the inherent regulatory regime within which CPAs and other Circular 230 legacy practitioners already practice, as well as the fact that CPA firms must stand, as a matter of licensure, behind the work done by the members and employees of the firm. We believe these changes appropriately focus the program on the "unenrolled" preparer community that was

implicated in the GAO and TIGTA compliance studies cited in the IRS report.

The AICPA supports the tax return preparer program as it is structured today. Specifically, we support:

- Registering paid tax return preparers and the issuance of unique preparer tax identification numbers. Registration will allow the accumulation of important data on specific preparers as well as classes of preparers in a way that will allow the IRS to tailor compliance and education programs in the most efficient manner.

- Expanding the ethical umbrella of Circular 230 over all paid income tax preparers. Unenrolled preparers had previously not been subjected to the ethical guidance of Circular 230 nor the circular's sanctions for improper conduct.

- Creating a continuing education construct geared towards the “unenrolled” preparer community. We appreciate the Service’s adoption in the recently issued package of final regulations under Circular 230 of modifications to last fall’s proposed regulations regarding CE.
- Including a basic Form 1040 oriented examination as an aspect to become a “registered tax return preparer.” Moving away from a multi-tiered testing structure in order to focus on the basics is the correct remedial approach for the “unenrolled” preparer community that was, again, implicated in the GAO and TIGTA compliance studies. We also believe that having one examination will be less confusing to taxpayers in understanding the relative qualifications of the different classes of tax return preparers.

With regard to taxpayer confusion regarding relative qualifications, the IRS recognized this problem through the recent issuance of Notice 2011-45 which constrains “registered tax return preparers” from misleading advertising and solicitation and will require them to use the following statement in ads: ‘The IRS does not endorse any particular individual tax return preparer. For more information on tax return preparers go to IRS.gov.’” We are confident that the IRS website will contain the additional information that taxpayers will need to make appropriate choices concerning selection of a tax adviser. We also believe that any public database developed by IRS that is designed to serve as a “look up” function where taxpayers may search for their preparer should be structured to mitigate any taxpayer confusion regarding relative qualifications.

We are pleased with the work the IRS has undertaken with regard to its tax preparer program and want to emphasize our overall support. We

share the Service's interest in improving tax administration and protecting the taxpaying public. We look forward to working with the IRS as they continue to implement the program.

Thank you, again, for the opportunity to testify. I would be happy to answer any questions you may have.