

Recent Policy Trends - Combating Preparer Fraud & Errors

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Overview

■ The Problem

- Tax fraud and errors by unscrupulous/unqualified paid tax return preparers hurt taxpayers and gov't coffers
- IRS has been stymied from taking action until Congress acts

■ Solutions

- States take action
 1. “Taxpayer Protection Act” / PTIN & Enjoinment (back-end protection)
 2. Taxpayer Service Standards (front-end protection)

■ Case Studies

The Problem

- ~60% of taxpayers use a paid preparer, but ~60% of those preparers have no credentials.
- 70%-80% of taxpayers wrongly assume government oversight and put their faith in a system that can fail them.
- In 2014, the GAO found widespread errors - only 10% of paid preparers calculated the correct refund amount.
- The Federal Trade Commission recently ranked preparer fraud in the top 30 most common types of fraud.



9 Add the refundable credits

10 Tax. Use the instructions

Refund

Have it directly deposited! See instructions and fill in 11b, 11c, and 11d or Form 8888.

11a If line 9 is more than \$500,000, check the box below

▶ b Routing slip

▶ d Account number

Amount You Owe 12 If you owe tax, pay it now

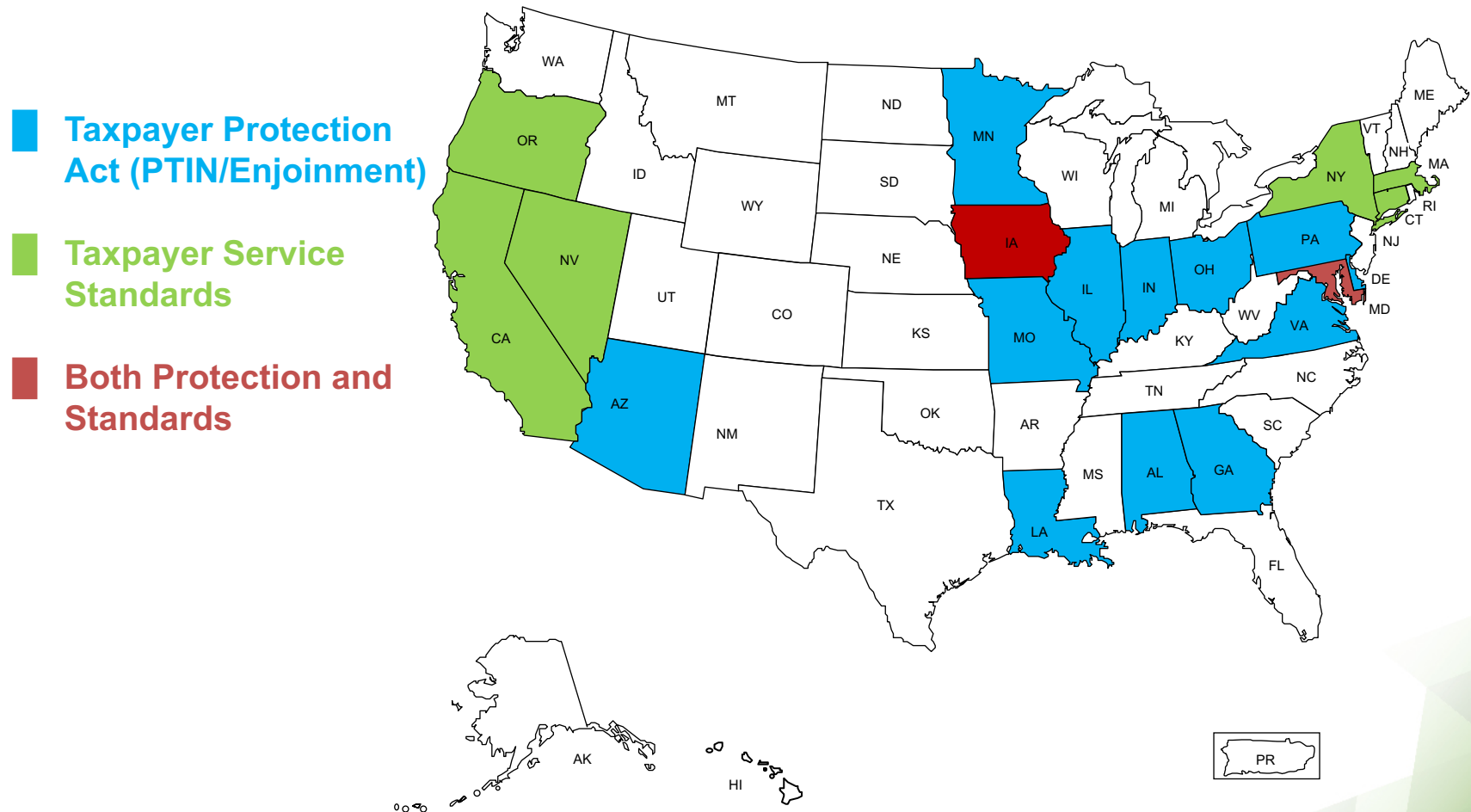
Taxpayer Protection Act

- Tools to better **identify** preparers and **stop** bad actors
 - Preparer's IRS identification # ("PTIN") required on state tax returns or face penalty
 - Court injunction to prevent fraudulent and reckless preparers from operating
- Works within the current tax administration system = less burden
- Enacted recently by 12 states

Taxpayer Service Standards

- Establish professional preparer standards
 - Minimum age & education
 - Registration
 - Tax prep competency
- Permit revocation for criminal or unprofessional conduct
- Reciprocity with other states
- Exemptions for CPAs, attorneys, enrolled agents, and VITA preparers
- GOA: improves accuracy and closes tax gap

State Action as of October 2019



Case Study: Louisiana

6/18/2019

News Releases - Louisiana Department of Revenue



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Court bars man convicted of tax fraud from preparing Louisiana tax returns

June 10, 2019

BATON ROUGE – A Louisiana court has barred a former Baton Rouge tax preparer from preparing state income tax returns.

Judge Michael Caldwell of the 19th Judicial District in East Baton Rouge Parish issued the injunction against Joseph A. Gillies ([Booking Photo](#)) at the request of the Louisiana Department of Revenue (LDR).

Gillies was arrested in January 2017 on felony charges that he used “ghost” companies and fabricated business losses to claim \$768,740.00 in improper tax refunds on behalf of his clients. Numerous clients told investigators they had not reported any business losses when they provided Gillies with their tax records, and many said they weren’t even business owners. Gillies pleaded guilty in October 2018 to one count of tax evasion.

Act 526 of the 2018 Regular Session of the Louisiana Legislature authorized LDR to bring lawsuits against tax preparers who engage in fraudulent activity such as submitting false tax returns.

“With this new legislation on the books, LDR is in a stronger position to protect the public from unscrupulous tax preparers,” Secretary of Revenue Kimberly Lewis Robinson said.

The injunction issued May 29, 2019, bars Gillies permanently from preparing any Louisiana tax returns other than his own.

Case Study: Connecticut

Summary

Connecticut enacted taxpayer service standards in 2017. The requirements are introduced in phases finalizing on Jan 1, 2022.

Key Dates

Phase 1	10/1/2017
Phase 2	10/1/2018
Phase 3	1/1/2019
Phase 4	1/1/2022

Phases and Requirements

Phase 1

- Requires any returns to include signature & PTIN, establishes standards for document sharing and storing

Phase 2

- Requires written disclosure to taxpayer including tax professional's name, business address, phone number, and other information

Phase 3

- Registration threshold is 10+ returns with exemptions for credentialed/volunteer preparers
- Requirements in order to obtain a permit: 18 years or older, high school diploma, PTIN, and pay application fee (initial \$100, renewal \$50)
- Renew every two years

Phase 4

- Certificate of completion of the IRS Annual Filing Season Program (AFSP)
- AFSP: 18 hours CE including federal tax law test, renew PTIN, and consent to Circular 230 obligations

Comparison of State Requirements

	Oregon	California	Maryland	New York	Nevada	Connecticut	Massachusetts	Iowa
Registration	X	X	X	X	X	X	TBD	
Qualifying Education	X	X	X	X		X	TBD	
Continuing Education	X	X	X	X		X	TBD	X
Testing	X	X	X	X		X	TBD	
Bond & Background Check		X			X		TBD	
Date	1973	1974	2008	2009	2017	2017	2018	2019

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