

Indiana Society of Enrolled Agents

2955 Erie Canal Rd, Terre Haute, In 47802

Phone: (812) 478-2800 Fax: (812) 232-7573

Website: www.inea.biz / Email: taxpro@stadlertax.com

American's Tax Experts

Tax Preparer Licensing

Per the US Federal Government Accounting Office, in 2013 there was \$21 billion in tax fraud/tax identity theft. In 2014, they estimated there has been over \$15 billion in tax fraud/tax identity theft. Per the IRS, in 2010 there were 270,518 taxpayers affected. In 2011, this figure more than doubled to 641,052. In 2012, it doubled again to 1.2 million, and in 2013 it doubled yet again to 2.5 million. Per the IRS, a majority of this theft is from the tax preparation community. With the dawn of the Internet, theft has evolved from simply stealing your possessions to stealing your identity - which proves to be a much more lucrative venture for would-be thieves. By stealing your name and Social Security number, Tax Identity thieves can e-file a tax return for you and have the refund directed deposit into their banking account before the taxpayer or the government even knows what happened. Using computer software and e-file technology, this happens so fast and so many times (2.5 million times) that it leads to 15 billion in tax fraud.

Per IRS stats, over 60% of tax preparers do not have any licenses or credentials. The state of Indiana does not require anyone to obtain a professional tax preparer license. Anyone can rent a store front, garage, or operate out of a house preparing unsuspecting victims tax returns. Most victims assume that the tax preparer has a license. The tax schemes often involve completing a tax return for taxpayers and providing a copy of tax return to taxpayer, but then e-filing a tax return requesting a much larger refund. Then the tax preparer pockets the difference. A second scheme is to complete a legit tax return one year, but the following year prepare the tax return requesting refund without the taxpayer's knowledge and pocket the entire refund.

The national tax preparer community is over 743,000. Indiana has over 12,000 tax preparers (60% of whom are unlicensed). The Tax Preparation industry is as wild as the old Wild West shows where individuals who claimed to be doctors sold olive oil claiming it to cure all illness. Americans back then demanded that the legislators put into place licensing standards. These standards greatly improved the medical community since those Wild West days. Licensing is so much in our daily lives that we now take it for granted that every profession has a licensing requirement. The citizens of the state of Indiana assume that a tax preparer is licensed! After all, Indiana requires licensing for Plumbers, Restaurants, Barbers, Beauticians, Banking, Financial investors, Insurance, Counselors, Architects, Auctioneers, Chiropractors, Dentistry, Funeral homes, Hearing Aid Dealers, Home Inspectors, Massage Therapists, Marriage and Family Therapists, Midwifery, Nursing, Optometry, Pharmacy, Physical Therapy, Real Estate Agent, Social Workers, Surveyors, Veterinary and the list goes on.

Fraud has gotten so bad that AICPA, NAEA, NATP, the national tax preparation firm of H&R Block, and thousands of other individual tax preparers did support IRS efforts to license all tax preparers. The industry is

asking for this. An Indiana citizen needs this protection, and state legislators should feel a duty and responsibility to protect Indiana citizens and Indiana financial resources.

Per Commissioner Alley, so far in 2014, Indiana Department of Revenue (IDR) received over 150,000 tax returns, stopping over 2,800 confirmed fraudulent returns with refunds totaling over \$5 million. Overall, IDR expects to stop over \$10 million in fraudulent tax returns. IRS stats suggest that the real fraud is closer to \$20 million.

Some have argued that licensing tax preparers would increase cost for tax preparation. The current \$15 billion in fraud divided by 140 million Americans who file a tax return is over \$10,000.00 per tax return. If you review the history of licensing, there never has been a major increase in cost to the public; fees did not double or triple. Competition among the licensed tax preparers will keep pricing where it has historically been.

Indiana legislators have a duty and responsibility to protect Indiana citizens and to protect Indiana financial resources. The IRS has tried to implement licensing requirement, but failed due to lack of congressional authority. States of NY, MD, CA, OR have implemented licensing requirement. Indiana needs to implement a tax preparer licensing requirement.

Tax Preparer: is anyone who prepares ten (10) or more tax returns for a consideration.

Proposal: Indiana Legislators pass a bill requiring all Indiana Tax preparers to pass a minimal competency test and annually continue an education requirement. Certified Public Accountants, Enrolled Agents and Attorneys who already hold a license would automatically be awarded the Indiana Tax Preparer License.

All unlicensed tax preparers would be required to take a test. We suggest United States Department of Treasury SEE test part I because this is 100% focused on individual income tax law. Upon passing Part 1 of SEE exam, completion of 17 hours of Continue Education (13 hours of tax law, 2 hour of ethics, 2 hours of Indiana state tax law), and paying a fee, the licenses would be awarded.

All of Indiana Tax Professionals will have to maintain a minimum of 17 hours of CE each year and pay an annual renewal fee.

If a tax preparer is caught preparing tax returns without a license, their office will be immediately shut down until resolved.

Andy Stadler, EA

Andrew P. Stadler, EA
Indiana Society of Enrolled Agents, President
2955 Erie Canal Rd
Terre Haute, IN 47802
Phone: (812) 478-2800
Email andy@stadlertax.com

An Enrolled Agent (EA) is a federal authorized tax practitioner who has technical expertise in the field of taxation and who is empowered by the U.S. Department of Treasury to represent taxpayers before all administrative levels of the Internal Revenue Service for audit, collections and appeals.