

Tax Law E-news

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New Tax Return Preparer Registration Requirements

Are You a Tax Preparer?

On September 28, 2010, the Internal Revenue Service issued new Final Regulations that require paid tax return preparers to register with the IRS and obtain a Preparer Tax Identification Number ("PTIN"). The registration requirement applies to attorneys, certified public accounts, enrolled agents, enrolled actuaries, and enrolled retirement plan agents. In addition, Circular 230 adopts a new designation called a "registered tax return preparer" which is an individual who is not any of the previously listed professionals, but who also, for compensation, prepares, or assists in preparing all or substantially all of the tax return or a claim for refund. In the past, it was thought that an individual had to both prepare and file a tax return in order to be considered a tax return preparer; however, these new final regulations make clear that a person who merely assists in preparing a tax return (although their assistance must be sufficiently complex) will be considered a tax return preparer. Preparers of IRS Form 5500 are also included in the definition of "tax preparer".

Even if a tax preparer already has a PTIN, that tax preparer must register in the new system, either online or by filing a paper application called "IRS Form W-12." The IRS states that an online registrant will receive his or her PTIN within 15 minutes; however, the response time for the paper application is estimated to be between four and six weeks.

Some Other Facts to Consider

The annual fee for obtaining a PTIN is currently \$64.25 per individual. The cost is the same regardless of whether you are obtaining your first PTIN or renewing an existing PTIN. Of that amount, \$50 is going to the IRS and \$14.25 per person goes to a third party vendor to operate the online system and provide customer support. PTINs are individual numbers, and a company cannot acquire only one for the whole company. Every paid tax preparer must have a PTIN by December 31, 2010. The PTIN is a different number than the Electronic Filing Identification Number ("EFIN") and is different than the Centralized Authorization File ("CAF") number. All PTIN applicants must attest that they are compliant with their personal and business tax obligations or provide an explanation if they are not. Paid tax return preparers who are not attorneys, CPAs, or enrolled agents will, in the future, have to pass a competency test to become a registered tax return preparer. The tests currently have not been designed, but testing is expected to begin in mid-2011. You can locate additional information and questions on the IRS website, www.irs.gov.

If you would like to speak to a Butzel Long attorney about the new tax return preparer registration requirements, please contact the author or any other member of the Tax Group.

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