



April 19, 2016

## SUPPORT COMMONSENSE REGULATION OF PAID PREPARERS

Dear Chairman Hatch, Ranking Member Wyden, and Members of the Senate Finance Committee:

On behalf of The Leadership Conference on Civil and Human Rights, a coalition charged by its diverse membership of more than 200 national organizations to promote and protect the rights of all persons in the United States, we urge you to support efforts by Senator Wyden to address much needed regulation of paid preparers of tax returns. Oversight of paid preparers who assist low- and moderate-income families with the filing their Earned Income Tax Credit (EITC) claims are needed to ensure program integrity of these important tax credits and to reduce error rates. As tax season concludes, Congress should take this opportunity to create at least minimum standards for paid tax preparers.

The Leadership Conference believes that the stakes for low-income families that are eligible for the EITC are too high for Congress to wait any longer to regulate paid preparers. As then Chairman of the Senate Finance Committee Senator Grassley once noted,

*It's incredible that we have legal requirements for a barber to cut your hair, but there are no requirements for someone to prepare your taxes. The worst that can happen when you get a lousy barber is a bad hair day. But if you get bad tax advice, you may be audited, owe thousands of dollars, and even face jail time. Americans have a right to expect that when they hire a tax preparer they're going to get honest, straightforward advice. Unfortunately, too often that isn't the case. We need to fix that.<sup>1</sup>*

For low-income earners, this could not be truer, as errors or fraud by a paid tax preparer can result in the loss of the EITC.

About half of all EITC tax returns are submitted by “unenrolled preparers,” who are not certified public accountants, attorneys, or “enrolled agents.” A study conducted by the IRS National Research Program found errors in almost half of the EITC returns submitted by such “unenrolled preparers” who are also not affiliated with a national tax preparation chain.<sup>2</sup> Nina Olson, the IRS National Taxpayer Advocate, has noted that “Preparers account for the majority of EITC claims submitted to the IRS, and unenrolled preparers account for three-quarters of preparer EITC returns. Unenrolled preparers have the highest error rate of all types of preparers...”<sup>3</sup> The Leadership Conference agrees with Olson that Congress should require unenrolled preparers to pass a competency test before providing tax preparation

<sup>1</sup> <http://www.grassley.senate.gov/news/news-releases/grassley-will-work-ensure-better-training-paid-tax-preparers-better-electronic>

<sup>2</sup> IRS, “Compliance Estimates for the Earned Income Tax Credit Claimed on 2006-2008 Returns,” August 2014

<sup>3</sup> Testimony of Nina Olson before the Subcommittee On Financial Services And General Government, House Appropriations Committee, February 26, 2014, p. 46.

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services and that they should be required to complete annual continuing education requirements.<sup>4</sup>

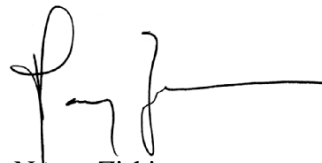
Senator Wyden's efforts to give the Department of Treasury the authority to regulate paid return preparers is commonsense reform that should receive bipartisan support. Such regulation will reduce error rates and payments, improve compliance with the EITC, and provide peace of mind to low- and middle-income families that must rely on "unenrolled preparers." We strongly urge you to support efforts to protect the most vulnerable taxpayers from tax return errors and fraud.

Thank you for your consideration. If you have any questions, please contact Emily Chatterjee, Senior Counsel, at (202) 466-3648.

Sincerely,



Wade Henderson  
President & CEO



Nancy Zirkin  
Executive Vice President

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<sup>4</sup> *Ibid.*, p. 46-47.