

Press Release

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PROTECT ILLINOIS TAXPAYERS BY REGULATING PAID TAX PREPARERS

CHICAGO, March 15, 2018 – According to the recent *Standing Up for Taxpayers* report issued by the Center for Economic Progress (CEP), there is an urgency for the State of Illinois to establish basic minimum standards for paid tax preparers in order to protect taxpayers.

Currently, the only requirement for individuals who prepare tax returns for compensation in Illinois is to hold a valid Paid Tax Preparer Identification Number (PTIN). While some tax preparers are regulated as certified public accountants, enrolled agents, or tax attorneys, these account for only 40% of PTIN holders, leaving 60% of PTIN holders with no such certification and not subject to any competency standards. The effects of this lack of standards has been connected to both intentional and unintentional errors on returns by paid preparers. This has a direct impact on taxpayers as they become victims of false income tax returns.

Particularly vulnerable are low-income families who qualify for Earned Income Tax Credit (EITC), a refundable credit for workers in low-wage jobs. Their information on tax returns is being manipulated to receive larger tax refunds, and the taxpayers are charged unreasonably high fees (as much as \$400). The report provides information on fraud cases, but explains that the bigger problem is the lack of educational and competency standards for the sector. Many honest but ill-informed paid preparers make unintentional errors on clients' returns, such as overstating income or incorrectly claiming deductions.

"The lack of minimum standards for paid tax preparers continues to be a serious problem afflicting taxpayers. Legislation is needed in Illinois to ensure that tax preparers are competent and that taxpayers are empowered with the information they need to seek the help of trustworthy paid preparers," said David Marzahl, President & CEO of the Center for Economic Progress.

80% of consumers favor both licensing requirements and mandatory competency tests for paid preparers. The state of Illinois has the opportunity to mimic existing state models. The Model Tax Preparer Regulation Act, established by the National Consumer Law Center, brings together crucial requirements to consider when establishing minimum standards legislation, including:

- A state agency that registers paid preparers and collects fees,
- A competency test for paid preparers, and
- Continuing education standards for paid preparers.

CEP sought comments for the report from community organizers and strategic allies, as well as the 10 attorney general candidates and eight gubernatorial candidates competing in the state primaries in March. Eleven were able to comment within the defined timeline and overwhelmingly supported increased oversight of paid tax preparers and the establishment of state level legislation.

"Having opposed paid tax preparers' previous abuse of tax refund anticipation loans, we agree with the Center for Economic Progress that there is a need for strong minimum standards for paid tax preparers and protection of taxpayers from predatory and ill-informed preparers," said Dory Rand, president of Woodstock Institute, a Chicago-based research and policy nonprofit focused on financial equity.

The majority of consumers believe that their preparers are licensed, though this is usually not the case. For now, taxpayers can find comfort in knowing that CEP, as a Volunteer Income Tax Assistance (VITA) organization, has 800 highly-trained tax-certified volunteers that process over 20,000 tax returns every year. CEP also offers assistance to help resolve tax disputes with the IRS and Department of Revenue. For individuals that may not qualify for CEP services, it is recommended that they visit the IRS website at <https://irs.treasury.gov/rpo/rpo.jsf>. Here, they can search for paid preparers who are certified as CPAs, attorneys, or enrolled agents, or who have met the requirements for the IRS's optional Annual Filing Season Program.

"Tax time is critical for the financial security of Illinois families because if tax preparers make mistakes, it's Illinoisans who pay," says Jody Blaylock, Senior Policy Associate with Heartland Alliance. "We need to ensure that all tax preparers are providing high-quality services so that fewer families are stuck with costly errors on their tax returns."

For a complete copy and executive summary of the *Standing Up for Taxpayers: Why Minimum Standards for Paid Preparers Matter* report visit <http://www.economicprogress.org/content/standing-taxpayers>.

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