



# THE PROVIDER



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## Recap of Provider Task Force Meeting

CTEC's mandate is to ensure that all individuals preparing tax returns in California have a minimum amount of tax-related education comprised of an initial qualifying education, followed by annual continuing education requirements. To that end, it is CTEC's responsibility to establish standards, policies and procedures to ensure that CTEC practitioners do, in fact, receive a minimum amount of required education in order to prepare returns in California.

At the May 2013 Provider Task Force meeting, CTEC introduced newly revised more stringent educational policies standards designed to improve the quality of education providers to CTEC requirements that impact what is acceptable continuing education for CTEC Registered Tax Preparers registration. The new CTEC requirements are far more rigorous than the now-suspended IRS CE requirements.

### The following topics were discussed:

#### CTEC

CTEC, unlike the Federal RTRP program that was established by IRS regulations, was established by the California Legislature and is California law. Some preparers mistakenly believe that CTEC registration and education requirements are tied to the IRS program. That is not true; CTEC is independent of the IRS program. CTEC was established years before the RTRP program came into existence and will continue to function whether the IRS program is reinstated or not. The CTEC CE hour requirements were changed to match the IRS requirements; (15 Federal, 5 State) but the CTEC Board wisely adopted them when the IRS program came into existence so that CTEC Registered Tax Preparers (CRTPs) could meet both the CTEC and IRS requirements with the same CE courses.

As a result, the CTEC Board adopted policies that give the course reviewers staff the discretion to disqualify or reduce CE credits for courses that are not of sufficient difficulty, not clearly written, technically inaccurate, not current, incomplete, or insufficient to meet the course's learning objectives.

Several new education standards and policies were adopted at the November 2012 meeting. Except where noted, changes became effective **January 1, 2013**. CTEC education standards were revised to be in compliance with the RTRP standards, so that courses taken by CRTPs would meet the education requirements of both the IRS and CTEC. **These changes to CTEC Educational Standards shall remain in effect whether or not there is an operative Federal program.**

The new education standards and policies, which were adopted, included the following:

- \* *Standards for determining self-study CE awards—Policy CP13*
- \* *Random provider audits—Policy CP28*
- \* *Shortened CE reporting requirements (effective in 2014) - Policy CP06*
- \* *Reviewer discretion to reject overly simplistic courses—Policy CP18*
- \* *Education Standards—CP23*
- \* *Limitations on the use of Federal & State Publications—Policy CP24*

### Word Count and Pilot Testing

Questions were raised by Providers concerning the application of the new revised policy CP13 Word Count and Pilot Testing credit hour measurement methods. (See CP13 Rev 2/12/13).

The major question raised involved how the Word Count method will be implemented by CTEC administration and how it will be used by CTEC technical reviewers in the evaluation of self-study courses. More precisely, how will the Word Count Method interface with or be impacted by the enhanced Course Policy 23 Standard #5 involving overly simplistic material or questions, confusing textual material, and/or inappropriate assistance with exam answers?

The proper application, by providers, of the Word Count or Pilot Testing method will be dispositive in the determination of the credit hours appropriate for a particular course.

For example, assume the Word Count method supports 20 hours of continuing education credit but the course final exam contains overly simplistic questions which, in the opinion of the reviewer, lack educational value. The reviewer will recommend that the CTEC Board deny approval based on a failure to meet CP23 Standard #5. The reviewer will not recommend nor will CTEC Board deny approval of the course based on a credit hour deficiency.

In other words, the evaluation of the credit hour award, by CTEC administration and technical reviewers, will be limited to authenticating the Word Count calculation and/or evaluating the Pilot Testing as prescribed by CP13.

This means that the Pilot Testing will be reviewed only to insure that the procedures of CTEC Course Policy CP13 are followed and that the integrity of the Pilot Testing method is not compromised.

### Curriculum Restrictions

Curriculum content is restricted to federal and California taxation and professional ethics. (Business & Professions Code Section 22255(b)).

Thus, courses in practice management, marketing, personal development, etc. are not acceptable.

### Interactive Requirements

#### **All self-study courses must meet the interactive requirements:**

- \* A Minimum of 3 review questions must be included for each credit hour.
- \* Feedback to incorrect responses must be provided
- \* Reinforcement feedback to correct responses must be provided.
- \* T/F questions are acceptable but do not count towards the 3-question minimum.
- \* Multiple choice questions must include at least 4 possible responses.
- \* Examination Requirements
- \* Five multiple choice questions must be included per credit hour.
- \* The examination must be relevant to the program learning objectives.
- \* A score of 70% or better is considered a passing score.
- \* Answers to exam questions cannot be provided to students prior to passing the course.
- \* Even after passing the exam, only answers to specific missed questions should be provided. A complete answer key to all of the exam questions should never be provided.

### Provider Approval

Providers that offer both face-to-face and self-study courses **must submit a self-study course for approval.**

When a provider is submitting a course for renewal of provider status, the provider **must submit the self-study course of which the provider sold the most** during the year immediately preceding the renewal year, even if the course is no longer available to students. If the course of which the provider sold the most was part of a course bundle, the **entire bundle must be submitted.**

All courses submitted for approval **must include documentation justifying the CE credit award.**

### Course Development

- \* The curriculum provider must **create learning objectives.**
- \* Curriculum providers must **state the prerequisites** for education, experiences, or both.
- \* Curriculum **providers must be qualified** in the subject matter and be knowledgeable in instructional design and delivery.
- \* A Curriculum provider **must be a CRTP, EA, CPA, attorney or an individual with expertise** demonstrated through practical experience.

### Course Standards

In order to increase the educational value of provider courses, the following terms were added to CP23:

- \* Clearly Written
- \* Technically Accurate
- \* Current
- \* Complete
- \* Sufficient

These terms convey a clearer picture of what CTEC expects from providers' courses. The Counsel has given the review staff power to reject courses that do not meet these enhanced standards.

### Ban on IRS Publication Courses

Neither CTEC, the IRS, nor NASBA allows the use of a government publication as a syllabus for a course. Prior to 2012, CTEC policy permitted the use of IRS and FTB publications in place of a student text for CE courses. CE providers of self-study courses must utilize materials specifically developed for instructional use and employ learning methodologies that clearly define learning objectives, guide participants through the learning process, and provide evidence of a participants satisfactory completion of a course. Self-Study courses requiring only the reading of general professional literature, IRS publications, or reference manuals, even if followed by a test, **are not acceptable**. However, the use of IRS publications/reference materials as supplemental reference to other instructional materials is allowed. (CP24).

If a course includes excerpts from publications or reference material:

- \* The word count formula must be used.
- \* The word count cannot include text from publications or reference material.

Publications and reference material must be disclosed by clearly identifying this material when submitting a course for review. Applications with inadequate disclosure will be rejected. If a course is audited and undisclosed publication or reference material is present, the course will be disqualified for credit.

### New Course Audit Procedures

There have been a few complaints regarding the quality of Some CTEC approved education courses. Since education provider approval historically has been based upon CTEC reviewing only a single course of a provider, CTEC has adopted an annual audit program where the five most frequently taken courses will be audited by the CTEC review staff. This program was initiated this year, and three of the four audited courses failed the audit and are being recommended for disqualification.

In addition, at CTEC's discretion, additional course audits can be initiated as the result of complaints related to inappropriate CE awards, insufficient difficulty, technical inaccuracies, and other course quality issues. These audits can have some profound ramifications for both the education provider and the students taking their courses.

### Self-Study Auditing Policy

Reviewing a single course for provider approval is inadequate to maintain the required course quality and proper CE-hour allocation. Requiring providers to submit additional courses would unfairly subject them to additional course review fees.

Therefore, CTEC has instituted, beginning in 2013, a self-study course audit program:

- \* Audits performed at the expense of CTEC.
- \* Audits use the same review procedures as a course submitted for provider status approval.

### **Beginning in 2013, CTEC will...**

- \* Audit the 5 most widely used courses.
- \* Exempt if audited in the prior 2 years
- \* Only one "most widely used" audit per provider per year
- \* Audit, at CTEC's discretion, courses that are the subject of complaints related to poor quality, use of IRS or FTB publications, or an incorrect allocation of credits.
- \* Randomly audit courses whose credit hours CTEC suspects are excessive.

Providers will not be notified that they are being audited. A CTEC reviewer will take the course in the same manner as a student.

**Primary areas of focus include:**

- \* Measurement of the credit hours
- \* Overly simplistic exam questions
- \* Confusing text material
- \* Assistance with answers
- \* Use of publications or reference guides as course material

**Disqualification**

**When a program fails an audit:**

- \* The provider is notified by certified mail.
- \* If part of a bundled program fails audit, the entire bundle is disqualified.
- \* CE Credit is reduced by applying sub-heading 1 or 2 of existing policy CP18.
- \* The provider may not offer a similar or replacement program without submitting the program for CTEC review.
- \* CTEC shall notify the IRS of the disqualification and reason for disqualification (if the federal program is operative).

**Repetitive Disqualifications**

If a provider has more than one course disqualified in a CTEC CE reporting year, the provisions of Policy CP18 shall apply.

CP18 allows for the reduction of program credit or provider suspension. In case of suspension, the policy includes provider notification requirements and provider appeal rights.

**Inadequate Courses**

CTEC has been aware for some time that certain providers' courses are overly simplistic and lack sufficient difficulty to provide a meaningful education value. In some courses, the exam questions are so unchallenging that a student could take the exam without reading the material, thereby satisfying his or her CE requirement in a fraction of the required study time.

The following are examples of exam questions in one course that the CTEC review staff found to be of insufficient difficulty.

*How many federal filing statuses are there?*

- a. One,
- b. Two,
- c. Three,
- d. Four,
- e. Five

*The federal filing statuses include all of the following except:*

- a. Married Filing Jointly,
- b. Head of Household,
- c. Simple EZ,
- d. Surviving Spouse,
- e. Single

As a result, the CTEC Board adopted policies that give the course review staff the discretion to disqualify or reduce CE credits for courses that are not of sufficient difficulty, not clearly written, technically inaccurate, not current, incomplete, or insufficient to meet the course's learning objectives.

**Inappropriate CE Awards**

Some providers are awarding inappropriate continuing education credits for a course, providing awards far in excess of the time spent by the student. As a result, CTEC adopted a method of determining continuing education credits that is similar to the methods used by the National Association of State Boards of Accountancy (NASBA). Under the new policy, continuing education credit for a course must be determined by either:

- \* Pilot testing the course with a minimum of three unrelated students, or
- \* Using a word count formula based upon the average adult reading speed of 180 words per minute.

Providers shall clearly identify the number of CE hours awarded for successful completion of a course in advertising and on provider course completion certificates, showing allocations among federal update, federal tax subjects, ethics and professional conduct, and California tax law (Reference CE06-01—Continuing Education Course Disclosures).

### Approval

- \* Must submit their **most popular course** for review.
- \* If the most popular course is part of a bundle, the entire **bundle must be submitted** for review.

### Responsibility

- \* Providers must be diligent in awarding the correct amount of credit for a course.
- \* Review staff has the discretion to **reduce credits or withhold approval** for courses deemed by the review staff to be **too simplistic or so simplistic that a student does not need to read the material to pass the exam.**

## **BEGINNING JANUARY 1, 2014**

Reporting to CTEC must be completed **electronically within 10 business days** of the course being completed.

- \* Providers not in compliance will be fined \$100 for the first offense, \$200 for the second, \$300 for the third, \$400 for the fourth and \$500 for the fifth. (Penalties will be per course)
- \* Each fine is doubled every 10 days until the provider is in compliance, fine not to exceed \$500.
- \* Approval from CTEC staff is required for delayed reporting and penalties may be waived by CTEC staff for reasonable cause for delayed reporting.

## IRS UPDATE



IRS representative, Sue Gaston, Director of IRS RPO program attended the Curriculum Provider Task Force meeting and provided insight into the status of the now-suspended RTRP program. She thanked everyone for being an IRS and CTEC Approved Education Provider.

Sue informed providers that the IRS has the same goals as CTEC. Because continuing education and competency exams are suspended, Sue asked providers to remove any advertisement that they might have on their website in regards to the RTRP program. The message should now read: *“Testing and continuing education is not required for un-enrolled preparers”*.

PTINs (Preparer Tax Identification Numbers) are still being issued and are required by both CTEC and the IRS. PTIN holders can now go into their PTIN account and see education reported by providers. Sue suggested that even though no continuing education reporting is required, if there is a PTIN, providers should report education.

As of now, individuals can renew their PTIN without completing the continuing education. Sue informed the providers that IRS does verify the status of PTIN holders.

Within the next couple of weeks, the RTRP program will be called OTRP – Other Tax Return Preparers.

## **CTEC Online Registration Required**

There still seems to be some confusion that CTEC registration is no longer required now that there is a federal registration program.

**CTEC registration is still required by California law even if a preparer is registered with the IRS.**

Please remind your students that: All paid tax preparers who are not attorneys, certified public accountants or enrolled agents, must renew or register with CTEC.

**CRTPs who fail to renew their registration by October 31, 2013 have until January 15, 2014 to renew late and pay a \$55 late fee. CRTPs who do not renew by January 15th, and each year thereafter, will be required to re-take the 60 hours of qualifying education, pass a final exam from an approved education provider and re-register as a new CRTP.**

According to California law, CRTPs cannot prepare any tax returns for a fee until their registration is current with CTEC.

## New CTEC Certificate Requirement

Starting the 2013/2014 CTEC registration cycle, all certificates must be made visible to consumers at the place of business. The CTEC certificate can be displayed at the entrance, desks or another conspicuous location where business activities are performed.

As we move into the 2013/2014 renewal cycle, here are some tips to pass onto your students:

- \* When a provider tells students that they will send the student information to CTEC after completion of a course, please make it clear that you are reporting their hours to CTEC so they can complete the online application form themselves, and that you are not registering them.
- \* Completing continuing education before the October 31st deadline, but not registering until after the deadline, does not exempt a CRTP from paying a late fee. All renewal registrations received after October 31st must pay the \$55 late fee.
- \* Courses are offered year round—many CRTPs think classes don't begin until August.

## Summary Report

### Approved Education Provider Status

- \* 129 - CTEC approved providers
- \* 79 - Providers offering Qualifying Education courses
- \* 116 - Providers offering Continuing Education courses
- \* 8 - Providers offering CA Qualifying Education courses



### Registration update

From August 1, 2012 to April 18, 2013, CTEC has registered 38,014.

- \* 5,863 - New registrations.
- \* 32,151 - Renewal registrations.

## Franchise Tax Board Enforcement

The Franchise Tax Board (FTB) enforcement team will visit tax preparation offices during the 2013 tax season to make sure unregistered tax preparers comply with the law. Anyone caught preparing tax returns illegally will be issued a \$2,500 penalty letter from FTB. Unregistered tax preparers have 90 days to comply before the penalty is enforced. If they don't comply after the \$2,500 penalty is enforced and continue to file tax returns illegally, the penalty increases to \$5,000.

Remember the enforcement penalty is not just for unregistered tax preparers who prepare and sign tax returns. CTEC requirements also apply to anyone who assists with preparing the tax return. The only exception to the rule is employees of attorneys, certified public accountants (CPAs) and enrolled agents (EAs)—but only if the employee does not sign the tax return. If the employee does sign the tax return, then he/she must register with CTEC.

## CTEC DATABASE



CTEC plans to update its current computer program. Over the years many providers have suggested improvements that they would like to see incorporated into the new system. We are keeping a "wish list" of those items that providers would like to see on the new system.

Please email Tabitha Bolkish at [tbolkish@ctec.org](mailto:tbolkish@ctec.org) if you have any suggestions for improving the current computer program.

### **CTEC Mission Statement**

**“The California Tax Education Council (CTEC) will continue to establish professional tax education standards, approve tax education providers, who comply with these standards, and facilitate tax preparer compliance for the benefit of California taxpayers”**

#### **C O N T A C T I N F O R M A T I O N**

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#### **C T E C P R O D U C T S**

- ◆ Logo Slicks
- ◆ CRTP mailing list
- ◆ 20" x 26" color CTEC poster
- ◆ CTEC Brochures—Choosing Your Professional Tax Preparer (English and Spanish)
- ◆ CTEC 2011—2012 Annual reports are available now either online or by mail. Call CTEC toll free 1-877-850-CTEC (8232) to request a free copy.

### **Mark Your Calendar!**

**CTEC Board and Committee meetings are open to the public**

**November 14-15, 2013 - Monterey, CA**

**May 21-23, 2014 - Sacramento, CA**

**November 19-21, 2014 - Palm Springs, CA**

Agendas are posted on the website one week prior to the board meeting.

Please call the CTEC office at (877) 850-2832 or email Tabitha Bolkish at [tbolkish@ctec.org](mailto:tbolkish@ctec.org) if you would like to attend.

CTEC board minutes are now available online by going to [www.ctec.org](http://www.ctec.org) under CTEC Board—Board Minutes.



### **Welcome our New CTEC Board Director**

**Ruth Godfrey** was appointed by the National Society of Accountants (NSA). She has been an enrolled agent since 1984 and owns a private tax practice in the Los Angeles area.

Ruth specializes in 1031 tax-deferred exchanges and business tax returns. She also conducts seminars and workshops throughout California and Nevada.

Ruth is a fellow of the prestigious National Tax Practice Institute, as well as a Gold Card Graduate of the National Institute of Exchange Counselors.

### **Curriculum Reviewer Vacancy**

CTEC is looking for two qualified curriculum reviewers. For more information regarding about the position and its requirements, visit [www.ctec.org](http://www.ctec.org) and click on “CTEC Curriculum Reviewer” tab located at the bottom of the home page. Please send your resume via fax at (877) 851-2832 or email [info@ctec.org](mailto:info@ctec.org). The application deadline is September 15, 2013.