
TAX PREPARER REGISTRATION

Who Is Required To Register: Anyone who is not exempt, who prepares, assists with, or holds themselves out as preparing income taxes for a fee within the State of California. (§22250)

Bonding Age Requirement: For registration, you must be 18 years of age to acquire a tax preparer bond. (§22250(a)(1))

Who Is Exempt from Registration: The California Business & Professions Code Section 22258 provides for certain exemptions to the registration requirements for tax preparers within the state. These exemptions include (§22258):

- A person (sole proprietor) with a current valid license issued by the State Board of Accountancy (and his or her employees while functioning within the scope of their employment).
- A person (sole proprietor) who is an active member of the State Bar of California (and his or her employees while functioning within the scope of their employment).
- Some employees of a trust company or business as defined in the statute, or a financial institution and employees thereof who are regulated as defined in the statute.
- A person (sole proprietor) who is enrolled to practice before the Internal Revenue Service pursuant to Subpart A (commencing with Section 10.1) of Part 10 of title 31 of the code of Federal Regulations, and his or her employees while functioning within the scope of their employment.
- An employee of any trust company or trust business as defined in Chapter 1 (commencing with Section 99) of Division 1 of the Financial Code while functioning within the scope of his or her employment.
- A financial institution regulated by the state or federal government, and employees thereof, insofar as the activities of the employees are related to their employment and the activities of the financial institution with respect to tax preparation are subject to federal or state examination or oversight.

Who Is Not Exempt from Registration:

- A person (sole proprietor) with a current valid license issued by the State Board of Accountancy (and his or her employees while functioning within the scope of their employment) who **becomes a partnership, incorporate, and/or opens multiple offices.**
- A person (sole proprietor) who is an active member of the State Bar of California (and his or her employees while functioning within the scope of their employment) who **becomes a partnership, incorporate, and/or opens multiple offices.**
- A person (sole proprietor) who is enrolled to practice before the Internal Revenue Service pursuant to Subpart A (commencing with Section 10.1) of Part 10 of title 31 of the code of Federal Regulations, (and his or her employees while functioning within the scope of their employment) who **becomes a partnership, incorporate, and/or opens multiple offices.**

Exemption Issues: Any individual or entity operating a tax preparation business under one of the six (6) exemptions above should be aware of potential problems that could be encountered should that individual or entity no longer qualify for exemption.

- (a) **Sale of Business** - If the business is sold to an individual or entity not covered under one of the six (6) exemptions listed above, any employees of that business would no longer be exempt and would no longer be allowed to prepare returns.
- (b) **Death of an Individual Qualifying Under the Exemption Provisions** - Upon the death of an individual qualifying under one of the six (6) exemptions listed above, any employee of that individual's business would no longer be exempt and would no longer be allowed to prepare returns.

- (c) **Loss of Exemption Status** - Should the individual qualifying under one of the six (6) exemptions listed above lose the status by which the exemption was established, both the individual and any employees of that individual's business would no longer be exempt and would no longer be allowed to prepare returns.

Registration Period: The CTEC registration cycle is November 1 through October 31 of the following year. A CTEC Registered Tax Preparer's (CRTP's) registration is considered valid upon the date of processing. Online registration applicants are given notification upon successful submission of their applications, and their registration is immediately valid.

Registration Fee(s): The registration fee is annually established by the California Tax Education Council. The established registration fee is \$33.00. In addition, a late registration fee of \$55.00 is imposed upon applications postmarked after October 31, resulting in a total of \$88.00. Late registration fees are in effect from November 1 through January 15 of the following year.

Late Registration: A CRTP who, for whatever reason, fails to register in a timely manner with CTEC will no longer be allowed to prepare tax returns until he or she properly registers or until the registration is brought current. Registration can be accomplished in one of two ways:

1. During the current registration cycle, the individual can complete the required 20-hours of continuing professional education, submit a renewal application online, and pay the late registration fee; or
2. The individual can complete an approved 60-hour qualified education course and register under the provisions of a new preparer.

Failure to Register: CRTPs who violate the Business and Professions Code Sections (§22256 and §22257) and Revenue and Taxation Code Section (§19167) may be subject to a \$2,500 penalty for the first violation and \$5,000 for each subsequent violation. The penalty shall be waived if proof of registration is provided to the FTB within 90 days. In addition, a cease and desist order may be imposed until the individual comes into compliance.

Reasons for denial or discipline/revocation: Pursuant to California Business and Professions Code Section 22253.4, the California Tax Education Council (the "Council") hereby adopts the following procedures relative to the denial of registration or the discipline/revocation of a registration issued pursuant to California Business and Professions Code Sections 22250 et seq. (hereinafter the "Law"): Registration may be denied or revoked, or an existing registration holder may be disciplined, for reasons reasonably related to protecting the public. Refer to TPI I.

Qualifying Education Requirements: As a pre-registration requirement, the tax preparer must have completed not less than 60 hours (45 federal and 15 state) of instruction, including 2 hours of ethics (see CP22-01) in basic personal income tax law, theory, and practice by an approved curriculum provider within the previous 18 months. (§22255(a))

Continuing Education Requirements: To renew for the next registration cycle, an applicant must complete 20 hours of continuing education from a CTEC-approved provider, including the 15-hour annual federal requirement plus 5 hours of California tax education. If the applicant has not completed the required education by the October 31 renewal date, the "late period" renewal registration will be from November 1st through January 15th of the following year. A preparer who does not renew by January 15th of any given year will have his/her registration expire, and he/she will be required to retake the 60-hour qualifying education course from a CTEC approved provider and register as a new preparer. Education undertaken from November 1 to October 31 of any cycle cannot be carried forward to the next cycle; however, it can be applied to the previous cycle to bring that cycle current.

During the period the tax preparer is not registered, the tax preparer cannot legally prepare returns.



Bond Requirements: The California Business & Professions Code Section 22250 requires that a bond issued by a surety bond company admitted to do business in California shall be maintained for each individual preparing returns for another person. The principal sum of the bond shall be five thousand dollars (\$5,000). Unbonded tax preparers are not allowed to prepare returns. This includes those tax preparers who are currently registered but whose bond has expired. (§22250(a)) Valid bond information must be submitted prior to issuance of a Certificate of Completion or a Statement of Compliance.

Bond Notification Requirements: The California Business & Professions Code Section 22252 requires that prior to rendering any tax preparation services, a preparer shall provide the customer in writing with the tax preparer's name, address, telephone number, and evidence of compliance with the bonding requirement, including bond number, if any. (§22252)

Certificate Ownership: Regardless of the payer or employer, at the time of registration, the CTEC registration is the sole property of the person whose name appears on the certificate. If, for any reason, the registered owner fails to follow the guidelines set forth by CTEC's policies, CTEC has the right to revoke the registration.

Registration and Renewal Forms: See authorized Forms CTEC-003 and CTEC-004.

Approved May 15, 2009
CTEC Board of Directors

Responsibility: Tax Preparer Committee