



THE PROVIDER



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C RTP—Gardena, CA

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Randy Warshawsky

Mission Society of Enrolled Agents

NEW REQUIREMENTS STARTING 2014

Beginning January 1, 2014, All CTEC approved providers are required to submit education electronically to CTEC within **10 business days** of the date the student completes the course.

Providers who are not in compliance with the revised new due date will be fined according to the following schedule: **1st** offense \$100; **2nd** offense \$200; **3rd** offense \$300; **4th** offense \$400; **5th** offense \$500.

Each fine will be doubled every 10 days, not to exceed \$500, until provider is in compliance.

Approval from CTEC staff is required for delay reporting and penalties may be waived by CTEC staff for reasonable cause for delayed reporting.

What if CRTPs Miss the October 31st Deadline?

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

Beginning 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.

Providers are required: (1) to electronically submit students information to CTEC; and, (2) issue course completion certificates to students who have successfully completed the course.

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

- ◆ When a provider tells students that they will send the student information to CTEC after successful 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.
- ◆ CTEC renewal registration begins **August 1st** of each year.

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 even if they are registered with the IRS.**

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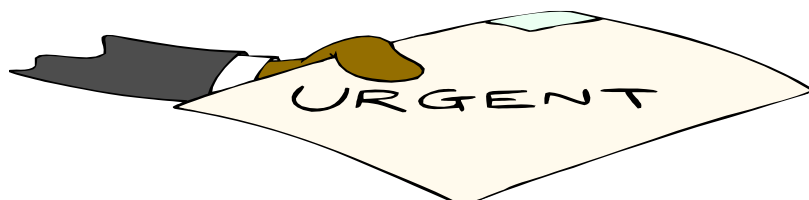
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REVISED POLICIES

At the November 2013 annual board meeting, the board approved the following policies related to continuing education and providers. The following Curriculum Provider Policies were reviewed and approved.

- ⇒ CP02 – Provider Approval Process
- ⇒ CP03 – Denied Provider Appeal Procedure
- ⇒ CP13 – Self-Study Courses
- ⇒ CP30 – Who is “The” Provider
- ⇒ CP33 – Purchased Courses

All providers are required to familiarize themselves with the current policies. The current policies can be downloaded from the CTEC website at www.ctec.org

The CTEC board would like to solicit feedback from providers regarding CP32 – Federal Tax Update Course Guidelines (Draft), which deals with the Federal tax updating of education to ensure that CRTPs are aware of recent changes in tax law. Please email, mail or fax your feedback to Tabitha Bolkish by March 28, 2014.

CP32—FEDERAL TAX UPDATE COURSE GUIDELINES (DRAFT)

Background: The annual continuing education requirement for CRTP renewal includes 3 hours of federal tax update.

Purpose: The purpose of the Federal tax updates is to ensure that CRTPs are aware of recent changes in tax law, revenue rulings, revenue procedures, court cases, and other authoritative promulgations that will impact the preparation of federal income tax returns.

Commentary: This Federal tax update requirement shall not include any California specific topics since this update must also meet the IRS requirements. (if the IRS program is operational). California specific update topics should be included in the annual 5-hour California Tax requirement.

Policy: The 3-hour update course must include all significant changes affecting current and subsequent filing seasons. This includes, but is not limited to federal:

- Tax Law Changes
- Expiring Tax Law
- Revenue Rulings
- Revenue Procedures
- Other Administrative Promulgations
- Court Rulings

Since tax preparation software will account for changes in standard deductions, exemptions and other Inflation adjustments, this type of information is not considered acceptable Federal tax update material.

Update Guidelines: The specific contents of an Federal tax update course will vary from time to time. An approved CTEC provider is expected to stay current with taxation changes as well as have the tax expertise and knowledge to keep their courses current. Tax law and procedures are constantly changing and any significant omission of these changes will cause the course to be disqualified.

Mandatory Subject Matter – From time to time CTEC may notify providers by e-mail of subject matter that must be included in their Federal tax update courses. When this happens, all providers will have 30 days to modify the content of their courses and verify, in writing, with CTEC that the courses have been modified or already include the subject matter.

Failure to confirm compliance with this provision will result in course disqualification.

PROVIDER COMPLIANCE UPDATE

Questions have arisen concerning the implementation and ongoing administration of the revised standards and policies of the California Tax Education Council (CTEC), the effective date of which was January 1, 2013. These revised standards and policies were covered extensively at the May Provider Task Force Meeting in Sacramento. CTEC standards and policies now reflect, to a significant extent, the standards and policies of the Internal Revenue Service and the joint AICPA-NASBA education standards. This includes adoption of the AICPA-NASBA standard for measurement of CE hours (See CP13). CTEC is working closely with the IRS RPO office in the adoption, implementation, and early administration of these revised standards and policies. CTEC expects that relationship to be ongoing.

CTEC has continued to conduct the mandated periodic course reviews on the familiar 3-year rotation. In addition, CTEC began, in 2013, to conduct "audits" of other courses in accordance with the provisions of the new CP28 audit policy.

The purpose of this newsletter is to inform CTEC education providers of the general results of these reviews and audits, along with some specific findings, in the hope that it will help other providers in their efforts to comply with CTEC policies and standards. What has not changed is the requirement that CTEC approved courses remain in compliance at all times, not just for the 3- year periodic review.

CTEC's mandate is "to promote competent tax preparation within the State of California" (Chapter 14 of Division 8 of the California Business and Professions Code, Section 22250 et. seq. Eff date July 1, 1997).

CTEC itself does not provide education but relies on professional societies, the FTB, the IRS and various "approved curriculum providers" to supply the required qualifying and continuing education (Cal B & P Code Section 22251(c)). CTEC has, pursuant to this mandate, established standards, policies, and procedures that are designed to promote high-quality qualifying and continuing education. These standards and policies are evaluated on a regular basis with the goal of improving the quality of education and, as a result, promoting quality tax return preparation.

General concerns have been expressed by some providers under the current 3-year cycle periodic review or the new audit program (See CP28). The concerns expressed regard the enforcement of these new policies and standards for courses under review or audit, while others, not subject to review or audit, are not subject to this enforcement action. To reiterate, all courses must be in compliance with all CTEC standards and policies, whether or not they are under periodic review or audit. CP28 authorizes CTEC to audit provider courses that are reported or suspected to be in non-compliance.

The Board adopted these more stringent standards because the results of reviews in recent periodic cycles revealed a pattern of non-compliance by a significant number of providers offering courses with marginal educational value. A significant number of these courses appear to have relied on material that was substandard or consisted of government publications prohibited by CP24.

Recent CTEC reviews have disclosed several common areas of non-compliance. These areas are described below, followed by extracts from reviews. This is offered to provide compliance guidance to all providers.

PROVIDER COMPLIANCE UPDATE — CONTINUED

The areas of primary concern are:

1. Violations of CP13:

- a. Interactivity missing;
- b. True/false questions used in the course review and/or final exam;
- c. Failure to provide mandatory credit hour support using either the word count or pilot testing methods as required by CP13;
- d. Providing answers to all final exam questions to students, which is prohibited by CP13.

2. Violations of CP23:

- a. Courses failing to comply with standard #5, which provides, in pertinent part, that course material must be “clearly written, technically accurate, current, complete, and sufficient for meeting the course’s learning objectives” have been frequently encountered. This has been particularly true of review and exam questions. This reflects a lack of sufficient semantic and syntactical as well as technical editing, the kind of oversight needed to ready a course for publication. This evidences a need to implement the provisions of standard #6 of CP23, which, in pertinent part, declares:

“It is recommended that curriculum providers have course materials reviewed by qualified persons other than the person(s) who developed them. This review should occur before the materials are submitted for approval.

Commentary: *Individuals, other than the course author/developer, should review a course. This reviewer(s) should be qualified in the subject matter and knowledgeable in instructional design. Any one reviewer need not be competent in both areas, but both aspects of a course should be reviewed. However, it may be impractical to review certain courses, such as lectures given only once. In these cases, more reliance must be placed on the recognized competence of the author/instructor.”*

- b. While this standard is described as “recommended,” CTEC advises providers that courses failing to meet standard #5 of CP23 will not be approved. Overly simplistic questions, such as look-up type questions, lack educational value. As previously indicated, CTEC’s mandate is “to promote competent tax preparation within the State of California.” It is in the context of quality education and the promotion of “competent tax preparation” that the issue of the educational value of look-up type questions arises. CTEC policy is not based on an assumption that look-up questions have **no** educational value, but that they generally have “little” or marginal educational value—value, that is, in the opinion of the CTEC review staff and the Curriculum Provider Standards Committee, insufficient to meet standard #5 of CP23. The question is, “does a particular look-up question add educational value to the continuing education of a CRTP such that ‘competent tax return preparation is promoted’ or enhanced?” It may be helpful to note that Standard #5 of CP23 provides, in pertinent part, “The measure of difficulty for questions will be less than that for CE since the qualifying education programs are entry level and by nature more basic than CE questions.” This suggests that look-up questions may be more relevant and of greater educational value in a qualifying education course. It is the opinion of CTEC that requiring a CRTP student, for example, to look up the amount of the “2012” standard deduction for a sighted couple ages 67 and 61 is of little educational value and does little to “promote” or enhance “competent tax return preparation.”

PROVIDER COMPLIANCE UPDATE — CONTINUED

- c. A significant number of courses were not current. The 3-hour Federal tax update portion of a CTEC-approved CE course is required to deal with changes in statutes, income tax regulations, revenue procedures and rulings, court cases, and other authoritative promulgations. Courses offered during 2013 must be prepared with the 2014-filing season in mind. To be in compliance with standard #5 CP23, material must be updated to the date of publication. CTEC standards and policies do not require futuristic textual material, keeping in mind, however, that discussion of anticipated important future developments is appropriate and would be expected. For example, the Affordable Care Act has been pending for over two years and will affect virtually all CRTPs for the 2013 tax year (2014 filing season). The title “update” is intended to be just that: a course or distinct part of a course, on changes impacting tax preparation. Thus, for example, all update courses currently offered must include a discussion of the *Patient Protection and Affordable Care Act (PPACA) affecting the preparation of 2013 returns*.

While current CTEC policies and standards do not mandate it, Approved Providers are encouraged to provide a way for students to stay current. To accomplish this, providers can and do use newsletters, website postings and email communication. Several CTEC providers include these services as part of their education packages.

It should be noted that, while most helpful, tax forms are not necessary for teaching new material. Continuing education, by its nature, is not entry level or qualifying. It is taught to currently registered CRTPs who are qualified to prepare tax returns. Qualifying education involves teaching students how to prepare tax returns. The computer return preparation software systems that virtually every CRTP uses do a much better job of filling out the forms than the individual CRTP would. One way to look at it is that the CRTP must be able to not only prepare a tax return with its various forms, but to determine, given the law, if the forms are filled out correctly.

3. Violations of CP24:

CP24 requires that materials be specifically developed or adopted for instructional use in the course. Texts published by commercial publishers for use in teaching tax preparation courses are acceptable. The text need not be authored by the provider. CP24 also “limits the use of general professional literature, IRS/FTB, and other government publications to supplemental reference material only.” Periodic review as well as new applications must identify any and all portions of the material consisting of government publications or quotations from government publications. These portions must be clearly identified. To facilitate CTEC review, the method of identification must be described, such as “italics” or “color highlighting.”

Where provider non-compliance is discovered, and the provider is awarding CE credits in excess of those allowed by CTEC standards, CTEC may eliminate or reduce the credit to an appropriate amount in accordance with the provisions of CP18. This reduction can apply to provider-issued credit going forward **or** retroactive to credits already issued by the provider. Where the reduction is retroactive, the provider will be required to provide a mailing list allowing CTEC to notify the students of the credit reduction so they can fulfill their education requirements. All providers should pay close attention to the provisions of CP18.

Summary

The Board of Directors of the California Tax Education Council acknowledge the essential role played by qualified education curriculum providers in promoting competent tax return preparation in the state of California, and is dedicated to continuing that partnership. In this regard, CTEC acknowledges the importance of the application of standards and policies on a fair and impartial basis. To this end, given the non-compliance discovered in recent reviews and audits, the Curriculum Provider Standards Committee will be considering the implementation of other compliance review and audit measures in accordance with CP28.

The Curriculum Provider Standards Committee solicits input from all those with a vested interest in the goals of CTEC.

SUMMARY REPORT



APPROVED EDUCATION PROVIDERS STATUS

- ⇒ 121 - Approved Providers
- ⇒ 71 - Providers offering Qualifying Education courses
- ⇒ 105 - Providers offering Continuing Education courses
- ⇒ 8 - Provider offering CA Qualifying Education courses

PERIODIC REVIEW UPDATE

- ⇒ 28 - Periodic reviews
- ⇒ 23 – Continuing Education
- ⇒ 5 – Qualifying Education

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 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

P.O. Box 2890
Sacramento, CA 95812-2890

Phone: (916) 492-0457
Toll Free Phone: 877-850-CTEC (2832)
Fax: (916) 447-3447
Toll Free Fax: 877-851-CTEC (2832)

E-mail: info@ctec.org

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 2012—2013 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

The next Curriculum Provider Task Force meeting is scheduled for May 21, 2014 in Sacramento, CA

The next CTEC board and committee meetings are scheduled for May 22 and 23, 2014 in Sacramento, CA

The November 2014 meeting will be on November 20 & 21, 2014 in Palm Springs, CA

Details on meeting locations will be posted on our website as information becomes available. 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 if you would like to attend.

CTEC board minutes are now available online by going to www.ctec.org under CTEC Board Information — CTEC Minutes.