



For Immediate Release

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New Legislation Requires 40,000 Tax Preparers to Provide Fees Upfront and Inform Clients of Free Tax Services, Some Tax Preparers Exempt

New bill aims at protecting poorer taxpayers by enforcing requirements on registered tax preparers

Sacramento, CA (February 11, 2020) — California Assembly Bill 1140 requires unenrolled tax preparers, specifically those registered with the [California Tax Education Council \(CTEC\)](#), to provide potential clients all fees and costs upfront, as well as free tax preparation services available. [Attorneys](#), [Certified Public Accountants \(CPAs\)](#) and [Enrolled Agents \(EAs\)](#), who also prepare tax returns, are exempt.

Assemblyman Mark Stone (D-Monterey Bay) authored the bill with low-income families in mind who have their taxes done for higher fees than they originally thought. Since there are free services available, the bill aims to point this out to taxpayers who may not be able to afford professional services. The California Senate will vote on the bill within the next few months.

The bill will apply to all 40,000 [CTEC-registered tax preparers \(CRTPs\)](#), requiring them to provide a standardized disclosure statement to potential clients making less than \$66,000 a year, explaining that they may be eligible for free online services, and those who make below \$56,000, may be eligible for free services through the [IRS Volunteer Income Tax Assistance \(VITA\)](#) program. It also requires CRTPs to provide a list of costs and fees upfront, as well as their federal [Preparer Tax Identification Number \(PTIN\)](#).

After the tax return is prepared, CRTPs must provide a second statement outlining, but not limited to, their contact information, PTIN, whether others were involved with preparing their tax return (including their name, contact information and PTIN), as well as the total charged by the CRTP. The disclosures must be available in English, Korean, Spanish, Chinese, Tagalog and Vietnamese. CRTPs who repeatedly violate these provisions would face a \$750 penalty.

Proponents say requiring written notice of free services will help protect low-income families from paying hundreds of dollars in tax preparation fees. They also note that a quarter of low-income Earned Income Tax Credit (EITC) recipients pay about a quarter of their EITC for tax preparation services.

Opponents claim it's discriminatory to force one segment of the tax preparation industry to cost-increasing and revenue-decreasing legislation that will result in economic privilege to attorneys, CPAs and EAs. Opponents also say it forces CRTPs to do work without pay if they are required to determine a potential client's income level, which the bill does not identify as either gross, net or taxable. Additionally, they argue the bill does not explain how exemptions play out for attorneys, CPAs or EAs who employ CRTPs to assist them with client tax returns.

CTEC is a nonprofit organization established in 1997 by the California State Legislature to protect taxpayers against incompetent and fraudulent tax preparers through education and registration requirements. Visit ctec.org for more information. For details regarding AB 1140, visit a29.asmdc.org.

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