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New Legislation Would Discriminate Against CTEC Registered Tax Preparers

AB 1140 Requires CRTPs to Provide Fees Upfront and Inform Clients of Free Tax Services

A bill is currently in the California legislature that would significantly increase your obligations as a CTEC Registered Tax Preparer (CRTP). AB1140 (authored by Assembly Member Mark Stone) would apply to CRTPs only. It would not apply to a much larger portion of the tax preparation community that includes: Certified Public Accounts (CPAs); Enrolled Agents (EAs); and attorneys.

This bill, if passed in its current form, would require CRTPs to provide

clients and potential clients with two disclosures, one before preparing the tax return and one after preparing the tax return.

Both statements must be signed and dated by the client and retained by the CRTP for a minimum period of three years.

A CRTP who violates these provisions more than once will be subject to a \$750 penalty issued by the California Franchise Tax Board.

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New 2020 Requirements Alert

Background checks and fingerprint images required for new applicants

Effective July 1, 2020, NEW applicants who would like to register as a tax preparer with CTEC must pass a background check.

California Business & Professions Code Section 22251.3 was amended

to require new applicants who would like to become a CTEC Registered Tax Preparer (CRTP) to pass a criminal background check and submit fingerprint images to

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NOTICE BEFORE

A written notice, signed by the client, would be required before preparing a potential client's return that includes all of the following information:

- A standardized disclosure statement informing a potential client with income below sixty-six thousand dollars (\$66,000) that they may be eligible for free online tax preparation services, and that an individual with income below fifty-six thousand dollars (\$56,000) may be eligible for free in-person tax preparation services through the IRS's Volunteer Income Tax Assistance (VITA) program. The statement shall also identify the IRS's internet websites where an individual may find additional information on each program and the Franchise Tax Board's CalFile internet website.
- A list of costs and fees charged by the CRTP for usual and customary tax preparation services, including, but not limited to, California Form 3514 and federal Schedule EIC (Form 1040).
- The CRTP's federal PTIN number.

NOTICE AFTER

After completing a tax return, a CRTP would be required to provide written disclosure signed and dated by the CRTP and client including:

- The total cost charged by the tax preparer
- The CRTP's contact information and federal preparer number (PTIN)
- Whether others were involved in preparing the return, their names, contact information and PTINs

If you have concerns about this legislation, please contact your state representative and let your voice be heard. You can find your representative by visiting www.legislature.ca.gov/your_legislator.html.

Or contact Assembly Member Mark Stone's Office, as Mr. Stone is

the legislator carrying this bill.

For CRTPs who do not agree with AB 1140, a petition opposing the legislation can also be seen at www.change.org/p/mark-stone-california-legislation-would-discriminate-against-california-tax-return-preparers.

CTEC 2020 Board Meeting

Date: Thursday, May 21, 2020

Time: 10:00 a.m. PST

Location: Virtual – GoToMeeting

Join the CTEC meeting from your computer, tablet or smartphone.
<https://www.gotomeet.me/advostrat>

You can also dial in using your phone.
 United States: +1 (224) 501-3412
 Access Code: 979-334-029

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Mark Stone Contact Information

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California LEGISLATIVE INFORMATION

AB 1140 was passed by the State Assembly in January. The State Senate will vote on AB 1140 in June. If passed by the State Senate, it will go to the Governor to be signed into law. Proponents and opponents of the bill can voice their opinions at the State Senate meeting.

AB-1140 Tax preparers: disclosures. (2019-2020)

As Amends the Law Today

SECTION 1. Section 22252.2 is added to the Business and Professions Code, to read:

22252.2. (a) Before preparing a tax return for a client, a tax preparer shall provide a written disclosure to the client that contains all of the following information:

(1) The costs and fees charged by the tax preparer for usual and customary tax preparation services, including, but not limited to, Form 3514 and Schedule EIC (Form 1040), or subsequent versions of those forms, which shall be itemized and presented in a table format.

(2) A statement that an individual with income below sixty-six thousand dollars (\$66,000) may be eligible for free online tax preparation services and an individual with income below fifty-six thousand dollars (\$56,000) may be eligible for free in-person tax preparation services through the Internal Revenue Service Volunteer Income Tax Assistance program. The statement shall identify the Internal Revenue Service's internet websites where an individual may find additional information on each program and the Franchise Tax Board's CalFile internet website. If the income eligibility threshold for those programs changes in subsequent years, the disclosure shall reflect the updated amount for the current tax year.

(3) The tax preparer's federal preparer tax identification number.

(b) (1) After preparing a tax return for a client, a tax preparer shall provide a written disclosure to the client that includes all of the following information:

(A) The total cost the client is being charged by the tax preparer.

(B) The tax preparer's signature.

(C) The date the tax preparer signed the disclosure.

(D) The federal employer identification number.

(E) The tax preparer's contact information, including, but not limited to, the tax preparer's name, telephone number, and address.

(F) The tax preparer's federal preparer tax identification number.

(2) The written disclosure shall include the information required in subparagraphs (E) and (F) for each tax preparer who worked on the tax return.

(c) The disclosures required by this section shall be provided on paper, shall be clearly legible in not less than 12-point type, and shall be signed and dated by the client. The tax preparer shall retain the documents for at least three years.

(d) The written disclosures required to be provided in this section shall be made available in English and the five languages listed in Section 1632 of the Civil Code.

(e) The Franchise Tax Board shall develop model disclosure forms, which shall be made available on the Franchise Tax Board's internet website.

(f) (1) A violation of this section is not subject to subdivision (b) of Section 22256 or Section 22257. A tax preparer who violates this section is subject to the following penalties:

(A) For a first violation, the tax preparer is subject to a warning by the Franchise Tax Board.

(B) For a second or subsequent violation, the tax preparer is subject to a fine of seven hundred fifty dollars (\$750) and discipline by the Franchise Tax Board consistent with the provisions of this act.

(2) Moneys collected by the Franchise Tax Board pursuant to this section shall, upon appropriation by the Legislature, be used to fund the federal Volunteer Income Tax Assistance (VITA) program and Earned Income Tax Credit outreach efforts.

(3) The Franchise Tax Board shall notify the council of a violation of this section.

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CTEC to determine an individual's eligibility to register.

This means new registrants must complete the following before their application will be considered:

- Complete 60 hours (45 hours federal, 15 hours state) of qualifying education (QE) by an approved CTEC education provider
- Obtain a \$5,000 tax preparer surety bond
- Register for an IRS Preparer Tax Identification Number (PTIN)
- Complete a criminal background check and submit fingerprint images to CTEC

The new requirements are NOT applicable to current CRTPs, only new applicants who register on or after July 1, 2020.

*However, CRTPs who allow their CTEC registration to expire and would like to re-register with CTEC on or after July 1, 2020, will not only be required to retake the 60 hour QE course, **they will also be required to go through a background check and submit fingerprint images to CTEC.***

