
TAX PREPARER REGISTRATION REQUIREMENTS

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.

Application Fee(s): A new applicant must submit a new application online. The fee is \$100 nonrefundable plus a \$2 processing fee.

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 plus a \$2 processing fee. In addition, a late registration fee of \$55.00 is imposed upon applications postmarked after October 31, resulting in a total of \$88.00, plus a \$2 processing fee. 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 **before November 1st**, with CTEC, will no longer be allowed to prepare tax returns until the registration is brought current. Registration can be accomplished as follows:

- The individual must complete the required 20-hours of continuing professional education during the late registration period, November 1st through January 15th, submit a renewal application online, and pay the late registration fee plus a \$2 processing fee.

Expired Registration (after January 15th):

- After January 15th, the individual must complete a 60-hour qualifying education course from a CTEC approved provider, pass a background check and fingerprinting procedure as outlined in TP12, 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 TP11.

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, consisting of 10 hours of federal tax law, 3 hours of federal tax update, 2 hours of ethics, and 5 hours of California state 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 submit and pay a \$100 nonrefundable new application fee plus a \$2 processing fee, retake the 60-hour qualifying education course from a CTEC approved provider pass a background check and fingerprinting procedure as outlined in TP12, and register under the provisions of a new preparer. Continuing 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.

DO NOT COMPLETE CONTINUING EDUCATION PRIOR TO THE COMPLETION OF THE QUALIFYING EDUCATION COURSE AND ARE REGISTERED AS A CTEC REGISTERED TAX PREPARER (CRTP).

For all new applications — including individuals whose registration has expired and who must reapply as new preparers — continuing education must be completed only after the qualifying education course has been successfully completed. Any continuing education completed prior to the qualifying education course will not be accepted toward registration or renewal requirements. Additionally, continuing education must be completed on or after November 1 of the current cycle to be applied to the subsequent renewal.

Continuing 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.

The individual must complete a 60-hour qualifying education course from a CTEC approved provider, pass a background check and fingerprinting procedure as outlined in TP12, and register under the provisions of a new preparer.

In order to complete a registration, an applicant must have a valid Preparer Tax Identification Number (PTIN) from the IRS, a valid social security number and purchase a \$5,000 surety bond.

Bond Requirements: The California Business & Professions Code Section 22250 requires that a bond issued by a surety bond company admitted doing 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.

Collection of information as allowed by law:

CTEC only collects Personal Identifiable Information (PII) data that is necessary for business purposes and with the consent of the individual.

CTEC limits the collection of information to what is relevant and necessary to accomplish the lawful purpose of CTEC. For example, identification of individuals is made through the collection of personal information such as mailing addresses, telephone numbers, or birth dates. In addition, at the request of the California Franchise Tax Board, CTEC requires social security numbers from all CTEC Registered Tax Preparers and applicants. This information is encrypted in the CTEC database and can only be accessed by the CTEC Administrator and staff, IT Administrators, Background Reviewers, and the California Franchise Tax Board.

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

Approved May 15, 2009
CTEC Board of Directors

Responsibility: Tax Preparer Committee