



Highlights of [GAO-03-610T](#), a testimony before the Senate Finance Committee.

Why GAO Did This Study

In tax year 2000, over half of individual filers paid someone to prepare their tax return. These taxpayers paid an estimated \$14.7 billion for individual return preparation. Despite the importance of paid preparers' role in the tax system, little data exist on the quality of the services they provide. In light of this, GAO surveyed and interviewed taxpayers and gathered examples of the range of outcomes experienced by taxpayers who used paid tax preparers.

What GAO Recommends

GAO is not recommending executive action. However, GAO identified guidance from various sources suggesting common sense steps taxpayers can take when choosing or working with a paid tax preparer, such as:

- When searching for a preparer, obtain recommendations from people you trust.
- Check out your preparer's qualifications.
- Make sure you understand the services you will be getting, how much they cost, and how they will benefit you.
- Make sure your preparer understands your personal circumstances and reviews your official tax documents.
- Review your completed return before you sign it.

www.gao.gov/cgi-bin/getrpt?GAO-03-610T.

To view the full testimony, including the scope and methodology, click on the link above. For more information, contact Jim White at (202) 512-5594 or WhiteJ@gao.gov.

PAID TAX PREPARERS

Most Taxpayers Believe They Benefit, but Some Are Poorly Served

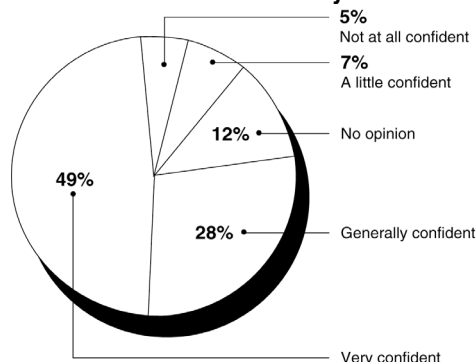
What GAO Found

Based on our on-going work, most taxpayers believe they benefit by using a paid tax preparer. According to the results of our nationwide survey, 77 percent of taxpayers said they were very or generally confident that their preparer completed a tax return that allowed them to pay no more in taxes than was legally required. In addition, the survey showed that 87 percent of taxpayers would use a paid preparer in the future. Despite these facts, taxpayers may not understand the tax laws well enough to accurately assess their preparers' performance. To provide quality service, paid preparers must probe the personal circumstances that could affect the amount of tax their clients owe, such as whether the taxpayers have dependents. For example, one taxpayer took 3 years of prior returns prepared by a friend to a tax preparer. The preparer found that the taxpayer had overpaid his taxes by more than \$6,200 because he had overlooked earned income and child tax credits.

While most taxpayers expressed confidence in their paid preparers, our survey, studies of filed returns, and interviews with knowledgeable observers suggest that a small percent of taxpayers are poorly served due to problem performance by preparers. For example, GAO's survey results indicated that 5 percent of all taxpayers had no confidence that they had not overpaid their taxes. However, even a small percentage of the more than 71 million users of paid preparers in 2000 can translate into millions of affected taxpayers. Preparers who fail to adequately probe, provide questionable advice, or engage in fraudulent practices can cause serious adverse consequences for their clients. For example, one taxpayer overpaid his taxes for several years by about \$3,500 to \$5,000, despite receiving notices from the Internal Revenue Service that he may be eligible for the earned income tax credit. When he showed these notices to his paid preparer, the preparer took no action.

Paid preparers are not always the cause of problems—taxpayers can provide preparers inaccurate or incomplete information. Despite using a preparer, taxpayers are still ultimately responsible for the accuracy of their return.

Paid Preparer Users' Confidence That They Did Not Overpay Their Taxes



Source: GAO Nationwide Survey of Taxpayers.