



## Treasury Inspector General for Tax Administration Office of Audit

### THE PROCESS TAXPAYERS MUST USE TO REPORT COMPLAINTS AGAINST TAX RETURN PREPARERS IS INEFFECTIVE AND CAUSES UNNECESSARY TAXPAYER BURDEN

Issued on February 24, 2009

## Highlights

Highlights of Report Number: 2009-40-032 to the Internal Revenue Service Deputy Commissioner for Services and Enforcement.

### IMPACT ON TAXPAYERS

In Calendar Year 2007, the Internal Revenue Service (IRS) processed approximately 83 million individual Federal income tax returns prepared by paid tax return preparers. With its current processes, the IRS cannot determine how many complaints against tax return preparers it receives, how many complaints are worked, and the total number of multiple complaints against a specific firm or preparer. Taxpayer complaints about tax return preparers can provide valuable information about understanding the root causes of taxpayer problems, identify areas of noncompliance, and help the IRS address core processes that need improvement.

### WHY TIGTA DID THE AUDIT

This audit was initiated as part of the TIGTA Fiscal Year 2008 Annual Audit Plan and is related to the major management challenges of Providing Quality Taxpayer Service Operations and Taxpayer Protection and Rights. The overall objective of this review was to determine whether the process for taxpayers to report complaints against tax return preparers to the IRS is effective.

### WHAT TIGTA FOUND

Paid tax return preparers are a critical component and stakeholder in tax administration and represent an important intermediary between taxpayers and the IRS. The tax return preparer community provides a unique opportunity to affect taxpayer behavior and compliance with the tax laws. Taxpayers can file complaints against preparers by calling the IRS, visiting one of the IRS' 401 local offices, sending a letter or fax, or contacting the TIGTA.

Guidelines provided to taxpayers and employees about filing a tax return preparer complaint are confusing and inconsistent. Taxpayers must first be able to determine whether the preparer is an unenrolled agent or a

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practitioner, which includes an attorney, certified public accountant, or an enrolled agent. Enrolled agents are preparers who have satisfied specific IRS requirements and have been issued an enrollment card. The taxpayer must then determine if the complaint involves fraud and/or a violation of the tax code. Many taxpayers do not know their tax return preparer's designation to ensure that their complaints are sent to the correct IRS office and do not know what constitutes fraud or a violation of the tax code. Finally, the form used to submit complaints against unenrolled preparers is not designed to provide adequate information with which complaints can be worked.

The IRS' current process for handling taxpayer complaints against preparers does not identify potential problem preparers so that the IRS can determine the extent of noncompliance, if any, or how the noncompliance should be addressed. Several offices, including the Criminal Investigation, Small Business/Self-Employed and Wage and Investment Divisions, the Office of Professional Responsibility, and the TIGTA are involved in the process of resolving taxpayer complaints.

Complaints are generally not centrally recorded, controlled, and tracked. They are redirected to another function, reviewed multiple times, and mailed to multiple offices before most are ultimately destroyed. Neither the volume of complaints received from taxpayers and worked nor their resolutions are known.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the Deputy Commissioner for Services and Enforcement clarify guidance to taxpayers on the public IRS web site (IRS.gov) regarding the preparer complaint process. In addition, the IRS should develop a form, both web-based and paper, specifically for tax return preparer complaints that routes to the correct function based on type of tax return preparer and includes the items necessary for the IRS to appropriately evaluate the legitimacy of the complaint. Once a form is developed to ensure that sufficient information is captured about the complaint, a database(s) or tracking system should be developed to efficiently control the complaints.

IRS officials agreed to update guidance on IRS.gov and plan to create a cross-functional team to develop recommended action items to identify opportunities for improvement that may include changes to forms and creation of an automated tracking system.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2009reports/200940032fr.pdf>.

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