

Accreditation Council for Accountancy and Taxation
Written Statement
Internal Revenue Service Oversight Board Public Forum
February 19, 2008

The Accreditation Council for Accountancy and Taxation (“ACAT”) was established in 1973 as a non-profit independent testing, accrediting and monitoring organization. ACAT accredits independent practitioners who specialize in providing financial, accounting and taxation services to individuals and small to medium size businesses. ACAT is affiliated with the National Society of Accountants (“NSA”), a voluntary association of certified public accountants, enrolled agents, licensed public accountants, other licensees of state Boards of Accountancy, tax practitioners who are licensed by state agencies, and accountants and tax practitioners. Many of these members are not currently subject to direct regulation by the Internal Revenue Service. NSA and its affiliated state organizations represent approximately 30,000 practitioners who provide accounting, advisory and tax related services to more than 19 million individuals and small businesses. In short, NSA represents accountants and other financial professionals who serve *Main Street* rather than *Wall Street*.

ACAT currently offers credentials as an Accredited Business Accountant (“ABA”) and as an Accredited Tax Preparer (“ATP”). The ACAT examination for its ABA credential, which includes the examination for the ATP credential, is accepted by the states of Iowa, Minnesota and Delaware for purposes of their examination requirements for licensing public accountants.

ACAT’s ATP credential can be acquired by passing a professional competency examination and meeting continuing professional education requirements of 72 hours every three years. The three-hour ATP examination consists of 58 multiple-choice questions which test proficiency in the technical knowledge of taxation and the standards of ethics for commercial tax return preparers. ACAT expects to have its ATP examination certified by the National Commission for Certifying Agencies (the “NCCA”) in June 2008. Certification by the NCCA assures that the ATP examination is developed, administered, scored, and reported according to generally accepted standards for the testing of professional competency.

The Congress may soon consider legislation to register and/or test professional tax return preparers. Under S. 1219, commercial tax return preparers would be required to pass an eligibility examination that the Treasury Department must develop (or approve) and administer. The Treasury Department is required to develop (or approve) such eligibility examination within one year after the enactment of the legislation. The Treasury Department eligibility examination would test the technical tax knowledge and knowledge of ethical standards for tax return preparers.

The Treasury Department would be authorized to accept an individual as meeting the eligibility examination requirement described above if, in lieu of passing the Treasury Department examination, such person passes an eligibility examination of a state licensing or state registration program that is comparable to the Treasury Department eligibility examination. The Treasury Department also would be authorized to accept an individual as meeting the eligibility examination requirement described above if, in lieu of passing the Treasury Department eligibility examination, such person passed a comparable eligibility examination administered by an existing organization for tax return preparers before the promulgation of the Treasury Department eligibility examination.

Since 1973, ACAT has provided the certification of tax return preparer competency on a voluntary basis that S. 1219 would make mandatory. The ACAT eligibility examination covers all of the technical knowledge and ethics topics that are tested in the Internal Revenue Service ("IRS") enrolled agent examination and that should be covered in any eligibility examination developed by the Treasury Department. As mentioned above, ACAT expects to have its examination certified by the NCCA to assure that the ACAT eligibility examination accurately tests the competency of tax return preparers with respect to technical tax knowledge and ethics standards. Thus, the ACAT eligibility examination and the ACAT tax return preparer certification program will meet or exceed the standards for any eligibility examination and certification program that the Treasury Department develops or approves.

NSA has supported the concept of registration for federal income tax preparers since we first introduced the concept several years ago. NSA supports the use of an eligibility examination and will work to assure that *any* examination meeting the minimum examination requirements, including the ACAT examination, will be accepted by the Treasury Department as acceptable for purposes of the tax preparer legislation. Of course, all such individuals would still be required to register, pay the appropriate fees and meet the other requirements specified in the bill.

Furthermore, any individual currently holding a license from a state Board of Accountancy has already demonstrated a level of competence that is based on a long-established regulatory standard that has education, experience and examination as required components. Every state accountancy regulatory scheme requires continuing professional education as a condition for license renewal.

The states of California and Oregon license tax preparers in their respective jurisdictions for example. The licensing qualifications differ slightly in each state, but both require a substantial educational element, including state and federal taxation and ethical conduct, as a prerequisite to granting a license. In both states, continuing professional education is a requirement for license renewals. California currently licenses approximately 36,000 tax preparers and Oregon licenses approximately 8,000 preparers under their respective programs. These states already impose adequate and efficient licensing requirements on their tax and accounting professionals. We do not believe additional federal requirements should be imposed on these individuals or similarly situated individuals in other states.

In addition, the Internal Revenue Service has extended Circular 230 privileges to public accountants in the several states including Pennsylvania, New Jersey and Rhode Island. Under the provisions of Circular 230, a “certified public accountant” is a person duly qualified to practice as a certified public accountant in any state, territory, or possession of the United States. Certified public accountants who are not currently under suspension or disbarment from practice before the Internal Revenue Service may practice before the Internal Revenue Service. A number of other states have a public accountant license class that has practice rights substantially equivalent, if not identical, to those granted to CPAs. These licensed public accountants, like their CPA counterparts, are subject to regulation and supervision by state Boards of Accountancy and must meet continuing education, professional standards and other requirements in order to maintain their practice rights. We firmly believe that if the Internal Revenue Service has already recognized the competence and integrity of these tax and accounting professionals in these states, Congress should as well.

NSA believes that any regulatory scheme in this area should be developed and governed by a separate administrative entity similar to the Public Company Accounting Oversight Board. This entity would develop and administer, or oversee the development of, an eligibility examination for any individual who has not successfully passed one of the other qualifying examinations as outlined above and would also ensure, via appropriate audits, that registered preparers fulfill any CPE requirements. Fees associated with registration would be paid by preparers to this entity, which should be self-funded as a result.

Thank you for the opportunity to participate in the Public Forum.

On behalf of ACAT,

John G. Ams
Executive Vice President
National Society of Accountants