

Testimony before the Internal Revenue Service Oversight Board February 19<sup>th</sup>, 2008

**Testimony of Michael A. Addington, EA, LTC**  
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**Recognized by the Federation of Tax Administrators to take part in the panel**  
**Discussion before the Internal Revenue Service Oversight Board, Panel #2**  
**February 19<sup>th</sup>, 2008**

- I. Steps that can be taken now to prepare for National Registration in order to create a program that is effective, yet revenue neutral.
  1. IRS should proceed “business as usual”. Only minor changes are needed with Circular 230 and the program would look very much like the current Enrolled Agent format that the Office of Professional Responsibility administers. The program would be self-regulated similar to Attorneys and CPA’s. Professional tax organizations should get together and create state or regional boards like Oregon has had for 34 years. Oregon can be used as a model. Everything is already in place with the Administrative Rules and Revised Statutes. Please visit our website, [www.oregon.gov/otpb](http://www.oregon.gov/otpb)
    - A. Amend Circular 230;
      1. Develop entry-level basic exam easier than part one of the current SEE exam. Change the structure slightly. There would now be Parts 1, 2, 3 and Ethics.

Tier I – Entry level, Registered Tax Preparer (RTP)  
Tier II – Individual Returns, Licensed Tax Preparer (LTP)  
Tier III – Business, Representation, etc. Enrolled Agent (EA)
      2. System would be voluntary in the beginning as it is now until some kind of legislation is passed.
      3. License and Registration #'s are for life, only the prefix changes;

Tier I – RTP62542  
Tier II – LTP62542  
Tier III – EA62542
      4. All levels required to take ethics part of exam.
      5. Graduated fee structure with Tier I being the lowest. All levels would be under Circular 230 with fingerprinting, background checks, etc.
      6. Set up a license check website at [www.irs.gov](http://www.irs.gov) Check out Oregon’s website and click on the “look up” link.
      7. Keep filing season deadline at April 15<sup>th</sup>, however, remove the late filing and late paying penalties. There would still be interest charged through October 15<sup>th</sup> and then the penalties

would apply. This would help the taxpayer who has inherent fear and anxiety towards the April 15<sup>th</sup> deadline. This could also help the practitioner who is now only a seasonal worker make this profession into a 10 month professional career and eventually work towards an Enrolled Agent License.

8. Require more income and information reporting, stock basis tracking, reporting of contributions over \$100.00, etc.
9. Develop the E-Card Filing program so a taxpayer can file with a card if the IRS already has all of the information.
10. Create a box in the signature area of the tax return for license and registration numbers along with the prefix so that it could easily be picked up by a computer and make it a requirement that all licensed and registered preparers put in their number.
11. Develop K.I.S.S. guidelines and possibly legislation for Congress. All future tax related legislation would be free of counterintuitive, complex credits, etc.
12. Must have a complaint mechanism that would be marketed by outreach programs that the IRS is already doing only to large groups of professionals.
13. Federal Grants for Professional Tax Organizations to set up and start state or regional programs similar to Oregon's Tax Board with the intent to be self-regulating like Attorneys and CPA's.
14. It can be estimated the number of unlicensed and unregistered tax preparers. Subtract 20 % and that will be the budget. It would be up to the IRS to make it effective and revenue neutral. I think the Enrolled Agent program is very effective, has worked well for many years and with these adjustments can handle the entire preparer community.

Mr. Chairman and members of the panel, tax preparers handle extremely confidential client information. This is a profession and should be treated like one. The current Attorney and CPA systems work and we should add "Licensed and Registered Tax Professionals". The issues of grandfathering and the rest of the details could be handled when the legislation is passed. All these steps would be voluntary now, just like the current system is. There would be many who would currently jump on board before legislation is passed. We don't need the IRS to micromanage our profession. This system does not dilute in any way the "Enrolled Agent" name. I know who I am. I am "The Ultimate Tax Professional" and I will still know who I am after everyone else comes on board. This is long overdue. We need to take the first baby steps and deal with the outcome. We will evolve into a self-regulating program like Attorneys and CPA's. Oregon Enrolled Agents have had to pay regulatory fees at two levels, federal and state for 34 years. Recently, the GAO was sent to Oregon and California at the request of the Senate Finance Committee to study the costs and benefits to licensees. There is no significant impact to the consumer for additional costs. The average fees added to a client's tax return averaged \$3.00 to \$5.00.