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Opponents criticize tax preparer bill

By Markeshia Ricks

A bill to regulate individual tax preparers sailed smoothly through the Alabama Senate last week. It hit rough water in the House.

At an open public hearing before a House committee, several taxpayers voiced opposition, claiming the bill targets small businesses and that it's a funding mechanism for non-profits like Impact Alabama, which is pushing it.

Proponents say regulation would stop predatory preparers who charge their mostly poor clients big fees and promise refunds, then file fraudulent returns and disappear.

The bill would require individual tax preparers to obtain a license and renew it every year; they'd also have to pass a competency exam.

The bill also subjects tax preparers to a state oversight board, expands outreach efforts to educate people about the federal earned income tax credit (EITC), and gives a portion of the licensing fee collections to nonprofit sites to provide free income tax assistance.

Many opponents favor a mandatory exam and regulation, but don't like this particular bill.

"I fully feel we need some type of regulation particularly to weed out the unqualified and unscrupulous tax preparers who are taking my business," said Ron Thomas of R&D Enterprises. "But this is not the way to do it."

Thomas said the bill would be harmful to the small-business people of Alabama and he doesn't believe commercial tax preparers should have to pay for people who are supposed to be volunteers.

Independent tax preparer Jeffery Jones told members of the House Committee on Boards and Commissions that if the state forces him to pay for a license and testing, he might increase what he charges because his cost will go up.

Several legislators agreed that Jones pointed out a fundamental flaw of the bill. The bill does not expressly regulate the fees that independent tax preparers can charge, which Impact Alabama has found can be \$200 or more for a basic tax preparation.

"It does not solve the problem," state Rep. Mary Moore, D-Birmingham, said. "The best way to stop this is for the IRS to audit these places and for the state Department of Revenue to go after them."

Representatives from the Alabama Department of Revenue said because there is virtually no regulation of the industry, people don't know they've been wronged until after the IRS gets involved. They said the bill would give the state some ability to stop people before they attempt to defraud the government.

Deputy Revenue Commissioner Mike Mason said the difference between tax returns done by preparers who are trained and certified and those who aren't is like night and day.

"I've seen tax returns for 34 years and I can see the difference," Mason said. "Sometimes individuals prey on low-income people and they trust them because they want a bigger return, but they end up with bad information that comes back on them."

David Avery, an attorney with the revenue department, said Alabama has a problem with its tax preparation industry, and the IRS notified the state that it is No.6 in the nation for filing fraudulent tax returns.

"The IRS told us that in the last fiscal year that there were more than 14,000 fraudulent returns filed," he said.

But several legislators remain unconvinced that this bill is the right vehicle to crack down on some individual tax preparers who want to take advantage of low-income individuals.

State Representatives Arthur Payne, R-Trussville, and John Rogers, D-Birmingham, have about 25 amendments between the two to add to the bill if it ever makes it out of committee. The bill was carried over to the call of the chair so that the representatives could work out their differences.

Rep. Tammy Irons, D-Florence, is the sponsor of the House version of the bill. She said she's not concerned that there will be any problems getting either bill out of the House.

"I think there are several legislators with reservations, but it's nothing we can't overcome," she said.

Stephen Black, founder and president of Impact Alabama, said since the bill cleared the Senate, seven lobbyists have been hired to fight it and misinformation about the bill has spread quickly. Opposition organized after the National Independent Tax Preparers Association sprung up to challenge some of the components of the bill.

Last week, Black's organization obtained and provided to the media a controversial e-mail from one of the association's members that suggested the public hearing was a stalling tactic to slow the bill down so that its sponsors could be addressed "behind closed doors."

Black said the lengthy public hearing was simply one step in the process of the bill becoming law.

"We just have to continue to communicate exactly what this bill does and doesn't do," he said. "We have to spend more time explaining it to legislators."

Black said he also isn't too worried about the bevy of amendments that some legislators propose tacking on to the bill.

"I think there is plenty of room for negotiation," he said.
