

Dear Senator,

The undersigned consumer, advocacy, and community groups are writing in support of Senator Wyden's efforts to give the Department of the Treasury the authority to implement strong consumer protections for consumers who use paid tax preparers. Tax returns completed by paid preparers have error rates as high as 89 percent according to the General Accounting Office, putting eligibility for the Earned Income Tax Credit (EITC) at risk. While most preparers are not subject to any minimum training or testing requirements, a recent poll found overwhelming public support for such measures.

We applaud Senator Wyden's efforts to ensure that consumers both receive what they are entitled to and pay what they owe with the confidence that their preparer is qualified and accountable.

Unregulated paid tax preparers prepare the majority of tax returns filed

The majority of paid tax preparers do not need to have any training or pass any kind of competency test before taking the hard-earned money of taxpayers to prepare a tax return—a return that represents the largest financial transaction of the year for many families. In 2011, 56 percent of tax returns were prepared by a paid preparer. An even higher percentage of the tax returns of working families who receive the EITC, 59 percent, were prepared by paid preparers and 74% of those were prepared by paid preparers that were not required to meet any kind of training or competency standards.¹

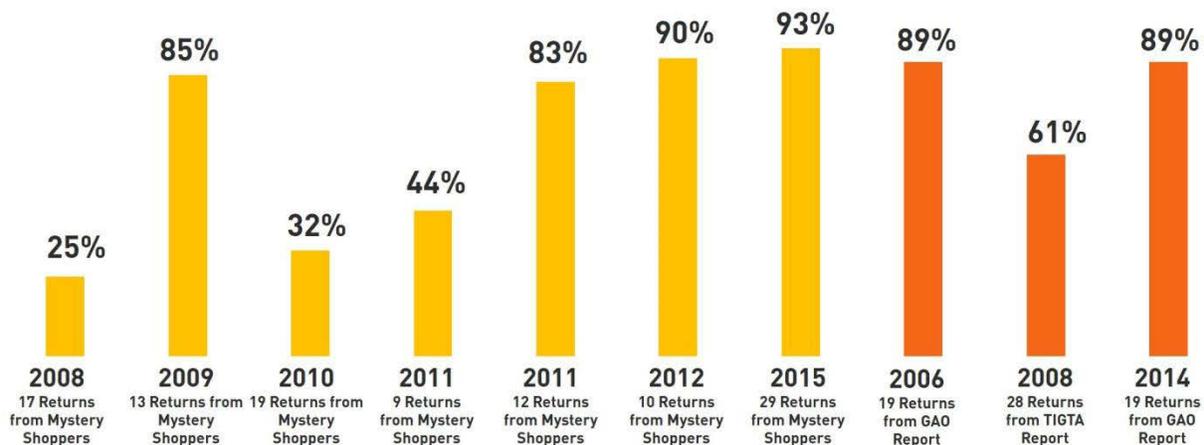
Recent studies show high error rates

Mystery shopper tests conducted by consumer groups, the Government Accountability Office and the Treasury Inspector General for Tax Administration (TIGTA) have found high instances of errors by paid preparers over the last decade (consumer and community group tests in yellow, government tests in orange).²

¹ GAO, Paid tax return preparers, In a Limited Study, Preparers Made Significant Errors, 2014. Table 2, Pg. 8. <http://www.gao.gov/assets/670/662356.pdf> Written statement of Nina e. Olson National Taxpayer Advocate hearing on Internal Revenue Service oversight. 2014. Fig. 10, Pg. 40. https://www.irs.gov/pub/tas/nta_testimony_housepprops_oversight_022614.pdf

² Prepared in Error, NCLC, 2015 <http://www.nclc.org/images/pdf/pr-reports/report-prepared-in-error.pdf> and Riddled Returns, NCLC, updated 2014. <http://www.nclc.org/images/pdf/pr-reports/report-riddled-returns.pdf> (The variance in the error rates across tests is likely due to the fact that some of the earlier consumer and community group tests were focused on problems with tax time financial products and found fraud and errors as an unintended result of the testing).

Studies show frequent errors on returns prepared by paid tax preparers



Source: Prepared in Error, NCLC, 2015 and Riddled Returns, NCLC, updated 2014.

Incorrectly prepared returns may result in the loss of Earned Income Tax Credit eligibility

Tax return errors particularly harm working families that receive the Earned Income Tax Credit, an important anti-poverty program that has long enjoyed bi-partisan support. In 2014, this critical tax credit provided an average of more than \$2,400 for hard-working families.³ Errors or fraud by a paid tax preparer could result in working families losing this important tax benefit for up ten years.⁴

There is strong public support for paid tax preparer oversight

A recent poll commissioned by Consumer Federation of America found that 80 percent of the public supports requiring paid tax preparers to pass a competency test. Fifty-six percent of respondents believe that paid preparers should have special training in tax preparation.

We urge you to protect taxpayers from tax return errors and fraud. Please support common sense consumer protections for taxpayers who want their paid preparers to meet minimum education and competency standards.

For additional information or to discuss this issue further, please contact Michael Best at Consumer Federation of America at mbest@consumerfed.org or 202/939-1009.

Sincerely,

Alaska Public Interest Research Group, AK
Americans for Financial Reform
Arkansans Against Abusive Payday Lending, AR

³ Internal Revenue Service. "Statistics for Tax Returns with EITC," n.d. <https://www.eitc.irs.gov/EITC-Central/eitcstats>

⁴ 26 USC 32(k)(1)(B) Restrictions on Taxpayers Who Improperly Claimed Credit In Prior Year <https://www.law.cornell.edu/uscode/text/26/32> (The disallowance period is ten years for fraud and 2 years for reckless or intentional disregard of rules and regulations).

Center for Economic Progress, IL
Chicago Consumer Coalition, IL
Children's Services Council of Broward County, FL
Colorado Fiscal Institute, CO
Columbia Consumer Education Council, SC
Consumer Action
Consumer Federation of America
Consumers Council of Missouri, MO
CT Association for Human Services, CT
Florida Alliance for Consumer Protection, FL
Georgia Watch, GA
Heartland Alliance, IL
Illinois Asset Building Group, IL
Indian People's Action, MT
Just Harvest: A Center for Action Against Hunger, PA
Law Foundation of Silicon Valley, CA
Maine Center for Economic Policy, ME
Maryland CASH Campaign, MD
Massachusetts Consumers Council, MA
Metro-St. Louis Community Tax Coalition, MO
Michigan Economic Impact Coalition, MI
Montana Organizing Project, MT
National Association of Consumer Advocates
National Consumer Law Center (on behalf of its low-income clients)
Neighborhood Housing Service of Greater Cleveland, OH
North Carolina Consumers Council, NC
North Dakota Economic Security and Prosperity Alliance, ND
Policy Matters Ohio, OH
Prepare + Prosper, MN
Reinvestment Partners, NC
Tax Help Colorado, CO
Tennessee Citizen Action, TN
Virginia Community Action Partnership, VA
Virginia Organizing, VA
Virginia Poverty Law Center, VA
Voices for Children in Nebraska, NE
Voices for Utah Children, UT
Woodstock Institute, IL
WV Center on Budget and Policy, WV
WV Citizen Action, WV