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202.822.6232, x119

Contact: Gigi Thompson Jarvis, CAE
gjarvis@naea.org

Bad Tax Preparers: Fraudulent or Just Incompetent?

Washington, DC (March 16, 2010)—The IRS has recently announced plans to require testing and education for all tax preparers, but as of today, it's still possible for just about anyone to claim to be a professional tax preparer. For the most part, dangerous tax preparers come in two forms: ignorant or fraudulent, and either type can result in an unexpected and unwelcome letter from the IRS.

“As an enrolled agent, I frequently find myself repairing the damage done by poor return preparers,” said Mickey Reedy, EA, of Associated Tax Matters, Inc., in Los Alamitos, CA. “The taxpayers may not have looked into the preparer’s credentials on the first go-around, but once bitten they want to be sure they’re dealing with a licensed professional.”

Reedy cites instances of incompetence he has encountered that include a preparer adding an extra zero into the annual mortgage interest payment entry and an attempt to deduct union dues as a charitable contribution.

Tales of fraud sometimes include shepherding well-heeled clients looking for tax deductions into dubious investments that don’t truly shelter their income. The results can be devastatingly costly when the IRS comes looking for back taxes, plus penalties. And the state is usually next in line to collect.

Taxpayers who want to be certain that the person preparing their taxes has proven expertise will want to hire an enrolled agent. Enrolled agents (EAs) are licensed by the federal government and can represent taxpayers in all 50 states before the IRS for appeals, collections and audits. In order to become an EA, tax professionals must initially pass a stringent three-part exam, complete annual continuing education requirements to keep abreast of the latest changes in the tax code, and abide by a Code of Ethics. While some licensed preparers handle a broad range of accounting issues, all EAs specialize in taxation. To find an enrolled agent in your area, go to the “Find an Enrolled Agent” directory at www.naea.org.

About the National Association of Enrolled Agents (NAEA)

NAEA is the professional society that supports its nearly 12,000 members with resources, education and networking and by representing their interests to government, business and the general public. Find out more about NAEA and becoming an enrolled agent at www.naea.org.