



June 27, 2025

Senator Mike Crapo, Chairman
Senate Committee on Finance
United States Senate
Washington, DC 20510

Senator Ron Wyden, Ranking Member
Senate Committee on Finance
United States Senate
Washington, DC 20510

Re: Opposition to Federal Tax Preparer Occupational Licensing and Section 504 of the Draft Taxpayer Assistance and Service Act

Dear Chairman Crapo and Ranking Member Wyden:

We write in opposition to the provisions in section 504 of the draft Taxpayer Assistance and Service (TAS) Act that effectively would create a harmful new occupational licensing regime for tax preparers. The practical effect of these proposals would be to raise the costs of tax preparation and drive independent tax preparers out of business.

At the core of Section 504 are new occupational licensing restrictions on who can prepare tax returns for a fee. Under current law, all persons preparing tax returns for a fee must register with the IRS. Before they are approved, these tax preparers must undergo “suitability checks” to screen out individuals based on felony convictions and their own past tax compliance and in most cases a credit review.¹ Once approved, the preparer receives a unique “Preparer Tax Identification Number” (“PTIN”) to include on the preparer’s returns. The IRS can easily track returns based on those PTINs, and if it were to find a pattern of fraud or abuse, it can pursue that preparer. Tax preparers engaging in misconduct may face fines up to \$100,000 and years in prison. That legal framework—registration, suitability checks, and hefty penalties—gives the IRS ample tools to identify any “bad apples” who might try to file fraudulent returns for a fee.

This “light touch” regulation, which focuses on transparency and policing of fraud, has enabled thousands of Americans to provide tax preparation services to their communities. Some preparers work only during tax season, helping friends and neighbors, while others have small businesses that offer related services. These preparers often have the ability to charge less to prepare and file a return, all while providing personalized service.

Section 504 of the draft TAS Act ditches this approach and effectively mandates that all tax preparers participate in a burdensome new federal occupational licensing regime that will have the practical effect of driving thousands of tax preparers out of business. The tool used to convert the above registration-and-monitoring system into onerous licensing is a new “continuing education” requirement of as many as 18 hours each year. While couched in the language of consumer protection, the real impact will be to raise compliance costs so substantially that it will be impossible for many honest, hardworking tax preparers to continue.² The resulting reduction in competition will harm consumers, who will have fewer choices in a less competitive tax-preparation marketplace.

This burdensome new occupational licensing regime will do little, if anything, to protect consumers of tax preparation services. Dozens of federal laws already regulate the conduct of those registered preparers who have received their PTINs, with potential penalties including fines up to \$100,000 and years in prison.³ The IRS imposes even greater due-diligence obligations for those who prepare EITC or other refundable credit tax returns.⁴

¹ See IRS, IRM 25.20.3, Tax Professional Oversight and Support, Return Preparer Suitability, available at https://www.irs.gov/irm/part25/irm_25-020-003r; IRS, Become an Authorized E-File Provider, available at <https://www.irs.gov/e-file-providers/become-an-authorized-e-file-provider>. A credit review is required for preparers who wish to use the E-File system.

² The “continuing education” requirements in section 504 are the most onerous of the new burdens, but we also have concerns with other provisions of that section that will have the impact of restricting access to the tax preparer market, as well as special privileges granted within the proposal to industry insiders defined as “specified practitioners,” which includes attorneys, CPAs, and Enrolled Agents. For example, there is an exception from the PTIN requirement for “supervised preparers” who will not be required to obtain PTINs if they are supervised by a “specified practitioner.”

³ See, e.g., 26 U.S.C. §§ 6694, 6695, 6700, 6701, 6702, 6707A, 6713, 7201, 7206, 7207, 7213, 7216, and 7407.

⁴ See IRS, Due Diligence Law, available at <https://www.eitc.irs.gov/tax-preparer-toolkit/preparer-due-diligence/due-diligence-law/eitc-due-diligence-law-and-regulation>.

Section 504 undermines these existing anti-fraud tools by encouraging the growth of illegal “ghost preparers” who prepare returns on the black market.⁵ These “ghost preparers” do not sign the returns they prepare; instead, the taxpayer files under his own name, and no preparer is identified by PTIN or otherwise. The IRS obviously has no way of tracking these preparers, but if this new licensing regime is imposed, some registered or prospective PTIN holders can be expected to drift into that “ghost preparer” category to avoid the higher costs and burdens, and the IRS will lose track of those preparers. *Pushing more preparers to become “ghost preparers” puts consumers at greater risk than the status quo.*

Industry experts and analysts have estimated that as much as twenty percent of the industry would be forced to close shop due to new compliance burdens.⁶ It then follows that as the number of tax preparers declines, the price of tax preparation will become more expensive. Moreover, those tax preparers who do endure the unnecessary “continuing education” to remain in business will pass along the higher compliance costs to their customers through higher fees.⁷ Ultimately, proposed Section 504 is much more likely to harm consumers than to help them.

For the above reasons, we urge you not to impose a burdensome new occupational licensing scheme on tax preparers such as that found in Section 504 of the proposed TAS Act, and to reject any efforts to attempt to include this provision in any larger, “must-pass” legislation. If you have questions, please contact Dan Alban, Senior Attorney at the Institute for Justice, at dalban@ij.org.

Sincerely,

Institute for Justice
American Commitment
Americans for Prosperity
Center for Free Economy
Center for Freedom and Prosperity
Club for Growth

Competitive Enterprise Institute
CPAC
Foundation for Government Accountability
Goldwater Institute
Heritage Action for America
R Street Institute

⁵ See IRS, Taxpayers should beware of ghost preparers, available at <https://www.irs.gov/newsroom/taxpayers-should-beware-of-ghost-preparers>

⁶ See, e.g., “Guides Through the Swamp,” *The Economist*, March 24, 2012, available at <https://www.economist.com/business/2012/03/24/guides-through-the-swamp>.

⁷ Roger Russell, “Tax Preparer Shortage on the Way,” *Accounting Today*, September 6, 2012, available at <https://www.accountingtoday.com/news/tax-preparer-shortage-on-the-way>; Editorial, “H&R Blockheads; the IRS wants to save you from your rogue tax accountant,” *Wall Street Journal*, January 7, 2010, available at <https://www.wsj.com/articles/SB10001424052748703436504574640572196836150>.