

IRS Registered Tax Preparer (RTRP) Regulations: Challenges and Opportunities For the Tax Preparation Industry

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Executive Summary

The IRS is implementing new tax preparer regulations that will impose significant restrictions on tax preparers and tax preparation businesses. The regulations are modeled in part on more stringent licensing laws that have governed Oregon tax preparers for the past 38 years. This white paper offers an authoritative perspective on how the tax preparation industry has successfully adapted to government oversight within the State of Oregon. It describes how tax preparers and businesses throughout the country can work to accommodate and even benefit from the new IRS regulations with analyses of the following subjects:

- How tax preparers will be impacted by new IRS regulations,
- How tax preparers will be able to obtain adequate levels of education to successfully pass mandatory examinations,
- How tax preparers and tax preparation businesses can successfully operate within a regulatory environment,
- How independent tax preparation businesses compete with national chains for qualified tax preparers and whether

government regulations provide a competitive advantage to large or small businesses,

- How the costs of providing tax preparation services may be affected,
- A listing of education providers, including a comparison of costs, delivery methods and curriculums,
- How costs of IRS compliance compare with costs of compliance already paid by approximately 49,000 tax preparers in Oregon and California, and
- Factors to consider when selecting a tax education provider.

Introduction

A new era has begun for the tax preparation industry. The IRS is regulating paid tax preparers for the first time in history through a mandatory registration process and the creation of a new designation; “Registered Tax Return Preparer” (RTRP). The RTRP designation is a credential that will be awarded to certain tax preparers who must pass a mandatory competency test, complete 15 hours of continuing education (CE) annually, and pass a background check.¹

The purpose of the new regulations is to improve the accuracy of tax return filings by ensuring tax preparers are competent and ethical in delivering paid tax preparation services.² Prior to these new regulations, anyone could prepare tax returns for a fee regardless of their qualifications. Industry standards were non-existent with the **majority of tax preparers lacking the knowledge or skills required to prepare accurate tax returns.**³ By the end of 2013, more than [350,000 tax preparers will be](#)

GAO Report

56% error rate on paid preparers tax returns

[In 2008, the General Accounting Office \(GAO\) reported](#), that the IRS’s tax year 2001 “NRP data indicate that tax returns prepared by paid preparers had a higher error rate—56%—than returns prepared by taxpayers—47%³.”

¹ Retrieved 19 December 2011 from http://www.irs.gov/taxpros/article/0,,id=210909_00.html.

² GAO Report, “Tax Preparers, Oregon Regulatory Regime May Lead to Improved Federal Tax Return Accuracy And Provides a Possible Model for National Regulation”, Special Report to Committee on Finance, US Senate, GAO, August 15th, 2008. Page 1

³ Retrieved 19 December 2011 from http://www.irs.gov/pub/irs-utl/or_board_statement.pdf

[required to demonstrate competence in individual tax law by passing the RTRP test.](#)⁴ Tax preparers who pass this test will be awarded the designation of Registered Tax Return Preparer. The benefits associated with RTRP designation include:

1. The ability to legally prepare tax returns for compensation,
2. A recognizable credential which will be promoted by the IRS via public awareness campaigns.
3. **Increased ability on the part of the IRS to crackdown on incompetent and unqualified tax preparers** which will weed out unfair competition.
4. Increased earnings for tax preparers and tax preparation businesses that will no longer need to compete with fly-by-night tax preparation outfits which undermine the integrity of the industry.

While some tax preparers have complained that the new regulations are too arduous and difficult to meet, considerable benefits will come for those tax preparers who are able to embrace the new standards. This paper focuses on the challenges and opportunities that will be presented to tax preparers and businesses within the new regulatory environment. It will also describe how quality tax education programs will play a vital role in the future success of tax preparers and tax preparation businesses by:

1. Preparing tax preparers for the RTRP competency test,
2. Developing and improving professional tax preparation skills, and
3. Meeting the mandatory annual continuing education requirements.

⁴ Retrieved 19 December 2011 from <http://www.irs.gov/pub/irs-news/ir-11-111.pdf>

GAO Report

19 out of 19 tax returns prepared at the offices of national tax chains had errors.

In [2006 the GAO reported](#) on the results of an investigation where it identified mistakes in 19 out of 19 visits to paid preparers working in preparer chain offices. *“All 19 of our visits to tax return preparers affiliated with chains showed problems. Nearly all of the returns prepared for us were incorrect to some degree, and several of the preparers gave us very bad tax advice, particularly when it came to reporting non-W-2 business income. Only 2 of 19 tax returns showed the correct refund amount, and in both of those visits the paid preparer made mistakes that did not affect the final refund amount.”*

While the IRS is not requiring tax preparers to complete education programs prior to taking the IRS competency test, it is predicted that most tax preparers will not be able to pass the test without first completing a comprehensive study program in basic tax law. This conclusion is based upon historical data collected in the State of Oregon which has imposed mandatory testing requirements on tax preparers since 1973. Based on the topics and weighting of the IRS exam,⁵ it is anticipated the test may be at least as rigorous as Oregon's test and Oregon preparers achieve average pass rates of just 65% after completing 80 hours of mandatory education in basic tax law from an approved education provider.⁶ It is readily predictable that tax preparers who have not completed a comprehensive study program will achieve much lower pass rates.

Background

In August 2008, the General Accounting Office (GAO) published the results of its investigation into the tax preparation industry in a report to the US Senate Committee on Finance titled, "[Tax Preparers: Oregon's Regulatory Regime May Lead to Improved Federal Tax Return Accuracy and Provides a Possible Model for National Regulation](#)".

The GAO report examined the costs and benefits associated with regulating paid tax preparers. It investigated and compared tax preparers in the states of Oregon and California with tax preparers in the rest of the country. According to GAO's analysis of the Internal Revenue Service's (IRS) tax year 2001 National Research Program data, "*Oregon returns were more likely to be accurate while California returns were less likely to be accurate*

⁵ Retrieved 19 December 2011 from <http://www.irs.gov/pub/irs-utl/rtrptestspecifications.pdf> or <http://www.pnwtaxschool.com/licensing-laws/irs-preparer-exams>

⁶ Retrieved 19 December 2011 from <http://www.oregon.gov/OBTP/examinations.shtml>, Examination Statistics, lower center of page for 2008, 2009, 2010. Statewide and individual school pass rates are included in the reports.

compared to the rest of the country after controlling for other factors likely to affect accuracy.”

The GAO report identified Oregon’s system of testing tax preparers as a likely reason why Oregon tax returns were more accurate than tax returns filed in other states and recommended the federal government adopt a nationwide paid preparer regulatory regime similar to that of Oregon. In comparison, the GAO report also showed that California’s education and registration system, which does not include mandatory testing requirements, did not improve tax return accuracy.⁷ This appears to be why the IRS has followed Oregon’s example by imposing a national testing requirement on tax preparers.

Oregon

Since 1973, Oregon has been the only state which licenses and tests tax preparers. The Oregon Board of Tax Practitioners uses a two-tiered licensing system which requires preparers to complete an approved 80-hour basic tax course, pass a 5-hour Board-administered exam and obtain a minimum of 30 hours of continuing education (CE) per year.⁸ A Licensed Tax Preparer (LTP) license is awarded to individuals who successfully complete an approved 80-hour course and pass the LTP exam. LTPs are viewed as mere apprentices who must work under the supervision of a Licensed Tax Consultant (LTC). Licensed Tax Consultants are individuals who have achieved a minimum of 780 hours of tax preparation experience over a minimum of two tax seasons and who have also passed a second, higher-level exam, called the LTC exam. First-year LTPs may not work alone in any tax office, and an LTC must physically be present in every office for a minimum of 50% of the time any office is open.⁹ According to statistics published by the Oregon Board of Tax Practitioners, the

⁷ Source: *What GAO found (page 2 of introduction)* <http://www.gao.gov/new.items/d08781.pdf>.

⁸ Retrieved 19 December 2011 from http://www.oregon.gov/OBTP/about_us.shtml, *about us*.

⁹ Source Oregon Administrative Rules Division 15 Tax Preparation Business http://arcweb.sos.state.or.us/pages/rules/oars_800/oar_800/800_025.html

2010 LTP exam had a 65% pass rate, while the LTC exam had a 30% pass rate¹⁰.

California

The California Tax Education Council (CTEC) is responsible for administering regulations governing tax preparers in California. California tax preparers must complete 60 hours of education in basic tax law to obtain initial registration as a CTEC Registered Tax Preparer (CRTP). CRTPs must maintain a \$5,000 bond and complete 20 hours of CE per year to maintain CTEC registration. Unlike Oregon, California tax preparers do not need to pass a government administered competency test and until 2010, classroom-based qualifying education courses had no testing requirement at all.

Maryland and New York

Both Maryland¹¹ and New York¹² regulate paid tax preparers through registration programs, however these states do not mandate education or testing requirements on tax preparers beyond those imposed by IRS. Therefore these states' programs are not a subject of discussion in this report.

Federal

In 2009, the IRS launched a nationwide series of forums to collect information from taxpayers and the tax preparer community about how to implement a new system for regulating tax preparers. In 2010, the IRS released its report "[Return Preparer Review](#)" in which it announced its intent to implement the following new requirements:

1. All paid tax preparers must obtain a Tax Preparer Identification Number (PTIN) from the IRS.

¹⁰ Source – 2010 Examination Report http://www.oregon.gov/OBTP/docs/Statistics/2010_report.pdf

¹¹ Reference - The Maryland Board of Tax Preparers at <http://www.dllr.md.gov/license/taxprep/taxpreplic.shtml>.

¹² Reference – New York State Tax Preparer Registration at <http://www.tax.ny.gov/tp/reg/tpreg.htm>.

30% Pass Rate

2010 Oregon LTC Exam

Both the LTC exam and the entry-level LTP exam test individual 1040 tax law, however the LTC exam requires a greater clarity of understanding of tax law. It should be noted that individuals who sit the LTP exam generally have little or no work experience as tax preparers. By contrast, individuals who sit the LTC exam must have a minimum of 780 hours of work experience completed over two – five years. They must also complete a minimum of 30 hours of CE annually. The consistently low 30% average pass rate on the LTC exam shows that most tax preparers do not achieve strong levels of tax knowledge even after extended work experience¹⁰.

The Oregon Board of Tax Practitioners will increase the minimum work experience requirement from 780 to 1,100 hours beginning July, 2012.

2. Tax preparers who are not certified public accountants (CPAs), attorneys or enrolled agents (EAs) must pass a competency test to obtain or maintain a PTIN.
3. Tax preparers who are not CPAs, attorneys or EAs must complete 15 hours of continuing education (CE) annually.
4. Tax preparers must pass a background check.¹³

More than 750,000 paid tax preparers are affected by the new regulations, an estimated 350,000 of whom will be required to pass the new IRS competency test.¹⁴ Previously, with the exception of preparers in the states of Oregon and California, tax preparers were largely unregulated and anyone could prepare tax returns for compensation.

The IRS now considers the preparation of a tax return for compensation to be a form of representation before the agency. Thus, the IRS has amended the regulations in 31 U.S.C. 230 (Rev. 8-2011) to specify that any person preparing a tax return for compensation is practicing before the agency and, therefore, must demonstrate:

- Good character,
- Good reputation,
- Necessary qualifications to enable the representative to provide valuable services, and
- Competency to advise and assist persons in presenting their cases.

Similar to Oregon's two-tiered licensing system, the IRS has also created two different classes of tax preparers; the first group includes RTRPs who are granted **limited practice**¹⁵ rights before

Limited Practice

31 U.S.C. 230 (Rev. 8-2011)

Practice as a registered tax return preparer is generally limited to preparing and signing tax returns and other documents for submission to the IRS. A registered tax return preparer may only represent taxpayers before revenue agents during an examination if the registered tax return preparer signed the tax return for the taxable year or period under examination.

A registered tax return preparer does not have the authority to provide tax advice to a client or another person except as necessary to prepare a tax return intended to be submitted to the Internal Revenue Service.¹⁵

These restrictions to practice do not apply to CPAs, attorneys or enrolled agents.

¹³ Retrieved from <http://www.irs.gov/pub/irs-utl/54419109.pdf>. See *Findings and Recommendations*, pages 32 – 37.

¹⁴ Retrieved 19 December 2011 from <http://www.irs.gov/pub/irs-news/ir-11-111.pdf>

¹⁵ Reference: Circular 230 § 10.3 (f)2 Registered Tax Return Preparers. <http://www.irs.gov/pub/irs-utl/pcir230.pdf>.

the IRS. The second higher-level group includes CPAs, EAs and attorneys who are granted full practice rights before the IRS.¹⁶

Effects of new IRS regulations on the tax preparation industry

There has been much speculation as to what the new IRS regulations mean for the tax preparer community nationally. In a July 28, 2011 discussion paper submitted to the House of Representatives Committee on Ways and Means, Subcommittee on Oversight titled, "[Return Preparer Review Initiative – A Retrospective](#)", the National Association of Tax Preparers (NATP) summarized the following as major concerns perceived by its members:

- *“Overall, they are concerned about the threat to their practice.*
- *They want to study for and take the examination immediately.*
- *They believe they are being singled out as though they’re responsible for all the unscrupulous behavior and incompetence in the preparation of tax returns.*
- *They believe that all of the effort and resources expended in this process will have little effect on ridding the system of the incompetent and/or unscrupulous.*
- *They believe that they’re being unfairly punished and that they’re put into the same category as mobile scam artists that proliferate from January 15 through April 1.*
- *They believe they’re being discriminated against on the basis of credentials.*
- *They believe they’re effectively being governed by professionals that would like to put them out of business.*

¹⁶ Reference: Circular 230 § 10.3. Who may practice. <http://www.irs.gov/pub/irs-utl/pcir230.pdf>.

- *They are going through “test anxiety.” Since the average age of our members is 56 years old, it’s been quite a while since they’ve had to take an exam.*
- *Some of them have indicated that they will work right up to December 31, 2013 and then retire. Others will sell their businesses.*
- *Some are studying to pass the EA examination so that they’re part of the “governing group.”*
- *For some, the lack of due process and the restraint of trade provisions in revised Circular 230 were the last straw. They talk of taking to the courts.”¹⁷*

Opinions expressed by NATP’s members show that the expectations of these seasoned tax preparers may be at odds with the realities experienced by Oregon tax preparers. Oregon’s 38-year history of regulation provides insight into what IRS regulations may truly mean for tax preparers and tax preparation businesses throughout the country. Following are some questions and answers that highlight challenges and benefits tax preparers and tax preparation businesses have experienced operating within Oregon’s regulatory regime, and how the experiences of tax preparers, tax preparation businesses, and tax education providers operating in Oregon can be a guide for tax preparers and tax preparation businesses throughout the country.

Will the new regulations make earning a living as a tax preparer more difficult?

Regulations will make it more difficult for tax preparers who cannot pass the RTRP test to earn a living because they will be forced to leave the industry. However Oregon’s history shows that tax preparers who are able to complete the mandatory education requirements and pass the LTP exam will benefit from holding a

¹⁷ Retrieved December 19, 2011 from http://waysandmeans.house.gov/UploadedFiles/Cinquemani.NATP_testimony_July_28.pdf, page 4.

credential (a tax preparer license) that allows them to earn a higher wage than is generally paid to preparers in other states.

Under the new IRS regulations, tax preparers must absorb the costs of initial education, testing fees, registration fees and maintaining CE but the RTRP designation will be a valuable commodity that tax preparation businesses must pay for in order to legally operate.

In [Publication 4832 Return Preparer Review](#), IRS stated that it will use the following approaches to increase public awareness:

- 1. The IRS will utilize a full range of social media, public service announcements and paid advertising, if authorized, to provide taxpayers with information on what standards the IRS requires of tax return preparers and how they can determine whether their tax return preparer has met these standards.*
- 2. The IRS also intends to leverage its relationships with key industry stakeholders and consumer advocacy groups to have them put the message out that taxpayers should only use a tax return preparer who has met the required standards.*
- 3. The IRS will develop a strategy to ensure that taxpayers and tax return preparers know that the IRS values the role of the tax return preparer community in tax administration and is committed to ongoing collaboration and communication and education enhancements.*
- 4. Finally, after the initial registration and examination period have been completed, the IRS plans to introduce on its website a searchable database of tax return preparers who have met the required standards.”¹⁸*

¹⁸ Retrieved December 19, 2011 from <http://www.irs.gov/pub/irs-pdf/p4832.pdf>, Public Awareness and Service Enhancements, page 41.

A **2008 IRS** survey revealed that taxpayers want to work with qualified tax preparers who have demonstrated competency in tax law and are subject to regulations or licensing.¹⁹ Under the new regulatory environment, the vast majority of consumers will learn to look for legal tax preparers and illegal tax preparers will find it difficult to draw market share. Thus, for the first time, tax preparers nationwide will be able to benefit from government crackdowns on illegal tax preparers and receive the kind of industry protections that Oregon and California tax preparers have benefited from for many years.

Will the IRS regulations give national chains like H&R Block, Jackson Hewitt and Liberty a competitive advantage over independent tax services?

A January 2011 article published by [Bloomberg Business Week](#), reported that John Hewitt, CEO and founder of Liberty Tax Service had postulated that smaller businesses may have trouble complying with new IRS CE requirements and that existing corporate training programs at H&R Block, Jackson Hewitt and Liberty already comply with the new rules or can be easily adapted. The article stated that Hewitt estimates the number the big three players will increase market share from 25 to 50 percent, pushing out the smaller mom and pop tax services.²⁰

Hewitt's statements are not supported by realities within the states of Oregon and California and appear to **be pure propaganda** intended to bolster sales of Liberty Tax Service franchises. A statistical analysis of the IRS database of PTIN holders revealed that Oregon has 8,280 registered PTIN holders, of which 612 identified themselves as employed by one of the three national chains while **3,117 or 83.6%** identified themselves as employed by other firms or did not identify their employers. According to the

Taxpayer Survey

Taxpayers want to work with preparers who meet standards of competency

A 2008 survey of taxpayers revealed that:

- 73% of taxpayers believe it is very important for tax preparers to be required to meet standards of competency,
- 76% of taxpayers believed it is very important for tax preparers to meet standards for ethical behavior, and
- 85% of taxpayers said they would give preference to selecting a tax preparer who is subject to regulations or licensing by a state or federal agency.¹⁹

¹⁹ Source: **IRS Oversight Board 2008 Taxpayer Attitude Survey** http://www.treasury.gov/irsob/reports/2009/IRSOB_2008-TAS.pdf, Page 16, questions 12 and 13.

²⁰ Retrieved on December 19, 2011 from http://www.businessweek.com/bwdaily/dnflash/content/jan2011/db20110120_619284.htm.

Oregon Board of Tax Practitioners, Oregon currently has 3,729 LTPs and LTCs. Only 612 out of 3,729 preparers (16.4% of Oregon LTPs/LTCs) identified themselves as employed by one of the big three firms.

California has 84,409 PTIN holders of which 4,942 identified themselves as employed by one of the three national chains. According to the California Tax Education Council's [2011 Annual Report](#), California has 43,674 CTEC registered tax preparers who are not CPAs, attorneys, EAs, or exempt non-signing tax preparers. **38,732 or 88.7%** of CTEC registered tax preparers identified themselves as employed by other firms or did not identify their employers. Only 11.3% identified themselves as employed by one of the three national chains.

The IRS currently estimates 350,000 PTIN holders will be required to take the RTRP test. After subtracting out 47,403 tax preparers who are licensed or registered in Oregon and California, there are approximately 302,597 remaining tax preparers nationwide who will be required to take the test. Of the remaining 302,597 PTIN holders in other states 55,216 (18.3%) identified themselves as employed by one of the three national chains and 247,381 (81.7%) identified themselves as employed by other firms or did not identify their employers. Since the percentage of preparers working for the three national chains in Oregon and California is 1.9% – 7%²¹ less than for the rest of the country, it can be concluded that a regulatory environment will not favor the national chains and may in fact make it easier for smaller independent tax preparation businesses to operate.

Independents flourish in Oregon and California

A regulatory environment appears to favor independent tax preparer businesses over the national chains.

An analysis of the IRS' PTIN data shows that the percentage of tax preparers employed by the three national chains in Oregon and California is less than for the rest of the country. This contradicts Hewitt's claims that IRS regulations will give increased market share to the big three chains. In fact, statistical analysis shows that the regulatory environments in Oregon and California appear to favor smaller independent tax services over the big three chains.

²¹ Source data derived from a PTIN database obtained from the IRS under the Freedom of Information Act. Data was compiled from information provided by PTIN holders. The author acknowledges there may be a margin of error of up to 5% in these calculations.

Table 1 – Percentage of Preparers Employed by Big Three Chains

Firm	California		Oregon		All other states		Other countries	
	Number employed	Percent of total	Number employed	Percent of total	Number employed	Percent of total	Number employed	Percent of total
H & R Block	3,767	8.6%	488	13.1%	38,903	12.9%		
Jackson Hewitt	328	0.8%	54	1.4%	8,421	2.8%		
Liberty	847	1.9%	70	1.9%	7,892	2.6%		
Others	38,732	88.7%	3,117	83.6%	247,381	81.7%	6,748	100.0%
Total	43,674	100.0%	3,729	100.0%	302,597	100.0%	6,748	100.0%

Data shown in Table 1 was compiled by analyzing a database obtained from the IRS under the Freedom of Information Act.

Table 2 – PTIN Holders in California, Oregon & All Other States

PTIN holder type	California		Oregon		All other states		Other countries
	Number employed	Percent of total	Number employed	Percent of total	Number employed	Percent of total	Number employed
CPAs/Attorneys/Exempt	40,735	48.60%	4,551	55.00%	322,608	51.60%	
Tax preparers who are not CPAs/Attorneys/Exempt	43,674**	51.70%	3,729*	45.00%	302,597***	48.40%	
Total PTIN holders	84,409	100.00%	8,280	100.00%	625,205	100.00%	6,748

* 3,729 tax preparers are licensed by the Oregon Board of Tax Practitioners²². The remaining 4,551 Oregon PTIN holders are CPAs, attorneys or supervised non-signing tax preparers who are exempt from Oregon licensing.

** 43,674 California tax preparers are registered with CTEC²³. The remaining PTIN holders are CPAs, attorneys, EAs or supervised non-signing tax preparers who exempt from CTEC registration.

*** The IRS estimates 350,000 tax preparers will be required to sit for the RTRP test. Assuming 43,674 preparers are in California and 3,729 are in Oregon, 302,597 preparers are from the remaining states.

22 Source: Oregon Board of Tax Practitioners via phone call on December 23, 2011

23 Source: CTEC 2011 Annual Report

Will national licensing create a shortage of tax preparers?

National licensing will likely create a shortage of tax preparers if Oregon's history is an example of what to expect. There is a general consensus among tax service owners in Oregon that there is a chronic shortage of licensed tax preparers. The reason national franchises offer tax school is to create a supply of tax preparers who have some basic level of tax knowledge. In Oregon, the need for tax schools is even more paramount for two reasons:

1. State law requires tax preparers to obtain a minimum of 80 hours of education from an approved tax school; and
2. Solid grounding in individual tax law is required in order for tax preparers to be able to pass Oregon's tax preparer competency exams. If the RTRP test is even close to being as difficult as Oregon's LTP test, tax preparation businesses will need to begin recruiting new tax preparers well ahead of each tax season.

How do Oregon tax preparers prepare for state exams?

The three national chains: H & R Block, Jackson Hewitt, and Liberty all offer basic tax courses. Basic tax courses are also offered by community colleges and a few private companies.

The national chains offer low-cost basic tax courses as a recruiting tool for tax preparers. Generally, basic tax courses offered by the national chains are geared towards providing preparers with a basic understanding of individual tax law and are accompanied by training on the proprietary tax software used by the chain.

Aside from the national chains, there are only a few schools that offer basic tax courses. The Oregon Tax Board publishes a list of

approved schools and the number of students from these schools who sit for the LTP Exam each year. The list shows that:

- More than half of new licensees are graduates of H & R Block's tax school,
- Pacific Northwest Tax School is the second largest producers of new licensees with Liberty and Jackson Hewitt also producing significant numbers, and
- The remaining 15% of examinees come from 19 other tax schools, colleges and universities.

A list of Oregon tax schools, the number of students who graduated, and each school's pass rate is published on the Oregon Board of Tax Practitioner's website:

http://www.oregon.gov/OBTP/docs/Statistics/2008_2009_examination_statistics.pdf

http://www.oregon.gov/OBTP/docs/Statistics/2009_2010_examination_statistics.pdf

http://www.oregon.gov/OBTP/docs/Statistics/2010_2011_exam_pass_rates.pdf

Where can I attend a basic tax course?

Basic tax courses are offered at some community colleges and by private companies. Both online and classroom delivery methods are available. The largest tax school in Oregon and nationally is H & R Block. More than half of new Oregon licensees graduated from classroom courses offered by the company. However, **H&R Block prohibits competitors from sending employees to its school**, thus the largest and most widely available school is not a resource available to the majority of tax preparers who will need to pass the RTRP test.²⁴ Tax school opportunities are particularly

H & R Block

Income tax course not offered to persons who work for other tax preparation businesses

The H&R Block Income Tax Course is "not intended for, nor open to any persons who are either currently employed by or seeking employment with any professional tax preparation company or organization other than H&R Block. During the course, should H&R Block learn of any student's employment or intended employment with a competing professional tax preparation company or service, H&R Block reserves the right to immediately cancel the student's enrollment. In the event of such cancellation, the student will not be entitled to a refund of any fees paid."²⁴

²⁴ retrieved 19 December 2011 from http://www.hrblock.com/taxes/planning/tax_courses/index.html

limited in smaller rural communities where the only classroom courses offered are through H & R Block.

California has a large number [of CTEC - approved tax schools](#)²⁵ which offer qualifying education courses to new tax preparers. The majority of these schools are run by tax preparation businesses that use them as a recruiting tool. Access to classroom-based tax education programs may be easier in California than for the rest of the country, however CTEC approval is the only criteria a private school needs to meet. The actual quality of education delivered by most of school programs has not been independently verified and only a handful of CTEC – approved schools have experience with preparing students for government administered examinations.

Are online tax schools a good option?

Online tax education programs offer a viable alternative to the traditional classroom setting. Oregon has a small number of online providers approved to offer basic tax courses by the Oregon Tax Board. California has a larger number of providers who are approved by CTEC. The benefits of online programs include easy access, even for individuals in remote areas, and a self-paced format that allows students to study from home at their own pace.

How does the quality of online education compare with education obtained in a classroom setting?

Whether an individual completes a basic tax course in a classroom or online, the overall quality of materials and instruction determines each school's pass rate. In Oregon, three schools have well established online programs with pass rates that have been published by the Tax Board; Pacific Northwest Tax School,

²⁵ Source - CTEC education provider search: <http://www.ctec.org/ProviderSearch.aspx>.

Clackamas Community College, and The Income Tax School. Pass-rate statistics collected over the past three years for these three schools show that the online delivery format is highly effective for Pacific Northwest Tax School which has an online pass rate that is even higher than its classroom pass rate. However the other two schools achieved online pass rates that are lower than the overall state average of 65%.²⁶

Table 3 - Online Basic Tax Course Provider 2008 – 2010 Pass Rates

Name of school	2008 - 2010 # of online students	# of students who passed Oregon test	Overall pass rate
Pacific Northwest Tax School	86	81	94%
Clackamas Community College	33	20	60%
The Income Tax School	12	7	58%

Liberty and Jackson Hewitt are approved to offer online courses in Oregon but not included in this chart because we were not able to determine if any of these companies graduated online students who took the Oregon LTP exam. While approved to offer online courses, basic tax courses offered by these two companies were predominantly delivered in classrooms and not online.

How does the IRS RTRP test compare with Oregon’s LTP and LTC exams?

The Oregon preparer exam is a five-hour exam. It includes 150 questions covering federal individual tax law and 50 questions on state law. The exam is semi-open book with examinees permitted to bring specific IRS and Oregon publications into the test site. The test is proctored and administered in a traditional paper format. For the 2010 exam cycle the average pass rate on the Oregon LTP exam was 65%.

The Oregon LTC exam is a five-hour exam. It includes 150 questions covering federal individual tax law and 50 questions on state law. The test is closed book. It is administered in a

²⁶ Source: [Oregon Tax Board exam statistics 2008-2011](#).

traditional paper format. For 2010 the average [pass rate on the Oregon LTC exam was 30%](#).

The IRS' RTRP test is a two-hour exam. It includes 120 questions in federal tax law and preparer ethics. The test is delivered in an electronic format at Prometric test centers. The test is closed-book, however, access to electronic copies of Publication 17, Form 1040, and Form 1040 instructions is provided in HTML format. The HTML format is not *user-friendly* and does not include search functions.

There has been speculation within the tax preparation community and by tax education providers as to the difficulty level of the IRS competency test. Prometric began offering the test on December 2nd, 2011 and early test results are not yet available, however one noteworthy Enrolled Agent, Bill Nemeth, President of the Georgia Association of Enrolled Agents, completed the test at a Prometric test facility in the first week it was offered. He has stated, "*Having taken the RTRP test, I can attest, it is rigorous. Test takers will want to be adequately prepared before sitting for the exam.*"

Another early report came from a recent graduate of Pacific Northwest Tax School's Basic Tax Course who completed both Oregon's LTP exam and the IRS's RTRP test within the same week. In comparing the difficulty level of the two tests, he provided the following comment, "*Overall, I wasn't nearly as confident that I had passed the federal exam compared to the state exam.*"

In its **2009 Annual Report to Congress, the Taxpayer Advocate** recommended the IRS implement a competency test with a difficulty level high enough to ensure basic competency²⁷.

2009 Annual Report to Congress

Taxpayer Advocate Service

A small number of stakeholders have expressed concern that competency exams could have the effect of excluding some preparers who would otherwise be preparing tax returns. We acknowledge that some level of exclusion is an inherent consequence of any examination requirement. High school students generally must pass certain examinations to graduate, motorists generally must pass an exam to obtain a license, and doctors, lawyers, and actuaries (among many others) must pass examinations to practice their professions. All of these tests are exclusionary, but are required because policymakers have decided that ensuring competence is a priority. In our view, the appropriate focus here should be on the level of difficulty of the test. The National Taxpayer Advocate believes the bar should be set high enough to ensure basic competency but not so high as to require unreasonable levels of knowledge and put large numbers of competent preparers out of business²⁷.

²⁷ Source – 2009 Annual Report to Congress (page 50): http://www.irs.gov/pub/irs-utl/misp_3.pdf.

Based on [test information and sample questions published by Prometric](#) and feedback from these early examinees, it appears that the RTRP test questions may be even more difficult than questions included on Oregon's LTP exam.

Are tax preparers required to complete test preparation courses as a condition of taking the IRS' RTRP test?

The IRS is not requiring tax preparers to complete a course in individual tax law as a condition for sitting the RTRP test however it is reasonable to conclude that many tax preparers will not be able to pass the test without first completing a comprehensive study program. Beginning in 2012, tax preparers who are required to pass the RTRP test must obtain 15 hours of CE annually from an IRS-approved education provider. The IRS is allowing CE credit for test preparation courses.

Will the cost of delivering tax return preparation services increase?

The average wage paid to Oregon tax preparers is higher than for the rest of the country. The average wage paid to a first year tax preparer in Oregon is well above the state minimum wage with first-year tax preparers generally commanding \$10 - \$14 per hour. The national chains tend to offer minimum wage (\$8.40/hour in Oregon) plus commission, but this does not always attract enough preparers. Experienced LTCs easily demand \$20 per hour. Tax service businesses pass on higher payroll costs to consumers in the form of increased tax preparation fees. Average tax preparation fees in Oregon are generally high when compared to other states.

It is reasonable to expect that by the 2014 tax season, the number of individuals who hold the RTRP status will be limited and tax

preparation businesses will need to offer wages high enough to attract and keep qualified preparers.

As a tax service owner, what can I do to ensure I have enough tax preparers on staff?

Tax service owners in Oregon use a variety of different methods to recruit licensed tax preparers including:

1. Sending employment letters in the mail to preparers included on mailing lists provided by the Oregon Tax Board.
2. Running employment advertisements in local newspapers and on Craigslist.
3. Networking at tax preparer professional associations.
4. Offering in-house basic tax courses that attract students who may become employees.
5. Sending new recruits to complete basic tax training programs offered by other organizations.
6. Posting openings on FindATaxJob.com, Monstor.com or other online job posting service providers.²⁸

Oregon tax service owners commonly agree that efforts to recruit preparers away from other tax services have limited effect since the overall number of tax preparers available for hire remains constant. While new tax preparers do enter the industry each year, an equal number also leave the industry so most tax services need to recruit new preparers every year. In addition, many employment applications are submitted by individuals who do not hold the required license which hinders recruiting efforts.

H&R Block, Jackson Hewitt and Liberty all provide basic tax courses for the specific purpose of recruiting new tax preparers.

²⁸ These comments are based upon industry knowledge of the author.

Course curriculums are created by the national franchisers and sold to franchisees who are responsible for filling classes and educating students. In Oregon, franchisees must supplement materials provided by the national offices because materials provided by the national offices are generally not adequate enough to properly prepare students to pass the Oregon exams. While most preparers who pass the LTP exam completed basic tax courses through one of the three national chains, tax courses are also offered by seven private tax schools and twelve colleges and universities. [Pacific Northwest Tax School](#) is the largest of these remaining organizations and is the second-largest supplier of new licensees within the State.

Costs of operating a tax school

Oregon law requires private schools be licensed as vocational schools through the Oregon Department of Education. Average tuition per student is less than \$600 with roughly 50% of enrollments successfully completing courses and going on to sit for state exams. No actual statistics are available on how much the average school spends to educate a new tax preparer, however the following costs of administering a basic tax course within a classroom setting are reasonable expectations:

- Creating and updating federal tax law course curriculum; \$10,000 - \$60,000 annually depending on the overall depth of materials provided. Larger schools are able to spend more and average the costs out over a greater number of students. Smaller schools have fewer resources and will spread the costs over a smaller number of students. Smaller schools often purchase textbooks and other materials from external sources and tend to have lower pass rates. [\(See Table 5\)](#)
- Providing classroom space to accommodate 5-20 students at a time; \$50 - \$100 per session of instruction.

- Printing course books and materials; \$20 - \$150 per student depending on the number of pages of printed materials provided and whether the school is purchasing or producing its own materials.
- Instructor wages; \$50 - \$100 per session instructed.
- Advertising to fill average class; \$2,000 - \$5,000.

Within Oregon, only a few schools offer online or correspondence courses because state laws require tax schools be licensed as vocational schools and teach a comprehensive curriculum that is approved by the Oregon Board of Tax Practitioners. CTEC requires California tax preparers to complete 60 hours of qualifying education in federal and California law from a CTEC approved provider. CTEC reviews provider curriculums and requires providers to meet certain standards; however, CTEC does not test students and does not monitor school performance.

Lower standards for CTEC education sponsors combined with a much larger population of tax preparers within California means California has a greater number of educational organizations offering classroom, correspondence, and online courses. 35 organizations currently offer CTEC approved online qualifying education programs compared with only a handful in Oregon. The quality and pricing of online education programs varies significantly with most schools delivering reading materials in a PDF format accompanied by online testing. Prices range from \$150 - \$795. Only four providers are approved to offer online courses in both California and Oregon including: Pacific Northwest Tax School, The Income Tax School, Liberty and Jackson Hewitt.

Based upon statistics provided by the Oregon Tax Board, the average instructor is able to produce between three and six new licensees per year. Large national franchises appear to have a

slight edge over most other private schools and colleges in terms of the overall number of students who pass state exams and the average number of new licensees created by each instructor. However, it is clear that most tax schools generally are not profit centers and typically lose money.

How do I select a good tax school?

The Oregon Tax Board publishes instructor and school pass rates each year. However, outside of Oregon the overall quality of a school’s curriculum is not transparent. California requires approved education providers offering qualifying education to include a minimum of 45 hours in federal law and 15 hours in California law. Only five schools are approved to offer basic tax courses in both Oregon and California. Of these schools, Pacific Northwest Tax School has the highest pass rate.

Table 4 - Online Tax Schools Registered with CTEC and/or Oregon Tax Board ²⁹

Name of school	Cost of tuition & materials	Course length Federal Law (hours of instruction)	Delivery Methods	School is approved by the following agencies
1040 Financial, Inc.	\$169	45	Online	CTEC
1040 Tax School	\$369	45	Online	CTEC
Apex Income Tax School	\$295	45	Online	CTEC
CalTax School	\$125	45	Online	CTEC
California Society of Tax Consultants	\$500	20	Online	CTEC, IRS
California Tax Institute	\$312	52	Online	CTEC, IRS
Chaffey College	\$85 CA Residents \$772 All others	45	Hybrid classroom/online	CTEC
Chase Dent	\$250	45	Online	CTEC
College of the Canyons	\$500	72	Interactive online with lecture videos &	CTEC

²⁹ This table was created from information gathered from CTEC and Oregon Tax Board websites. We searched both sites for information on schools that offered online schools. We then followed links embedded in the CTEC and Oregon Tax Board website pages to the websites of schools that were listed as approved to offer online courses. Certain schools shown on the CTEC and Oregon sites have not been included in this table because the links led nowhere or led to websites that offered little or no information about tax school programs.

(In partnership with Pacific Northwest Tax School)			Q&A Forum	
CTS4Taxes	\$289	45	Online	CTEC
Fastforward Academy	\$239	Not disclosed	Online	CTEC, IRS
Foothills College	\$281 CA residents \$831 All others	Not disclosed	Online Tax software included	CTEC
H&R Block	\$189 and up Restricts enrollment	Not disclosed	Not available online, but this school is too large to omit.	CTEC Oregon Board of Tax Practitioners (Average pass rate 74%)
Jackson Hewitt	\$179 and up	Not disclosed	Online	CTEC, Oregon Board of Tax Practitioners (Average pass rate 74%)
Latino Tax Pro	\$295	45	Online with lecture videos	CTEC, IRS
Liberty	\$199	60	Online with lecture videos	CTEC, Oregon Board of Tax Practitioners (Average pass rate 64%)
Mira Costa College	\$144 California Residents \$884 Nonresidents	45	Online Prerequisites apply	CTEC
Mt. San Jacinto College	\$144 California Residents \$884 Nonresidents	45	Online Prerequisites apply	CTEC
National Association of Tax Professionals	\$400	40	Online	CTEC
National Tax Training School	\$795	Credit for CTEC Only	Online	CTEC, DETC
Pacific Northwest Tax School	\$500	72	Webinar or Interactive online with 70 hours of lecture videos	CTEC, Oregon Board of Tax Practitioners (Average pass rate 92%), NASBA, OPR (IRS), Texas State Board of Public Accountancy, New York State Board for Public Accountancy, has partnerships nationally with more than 30 colleges and universities
The Income Tax School	\$499	60	Online	CTEC, Oregon Board of Tax Practitioners (Average pass rate 57%), has partnerships nationally with colleges and career schools
Universal Accounting Center		72	Online with 20 hours of video	QAS, CTEC
Wise Professional Tax Education	\$179	45	Online	CTEC, IRS

Table 5 – Exam Statistics for the State of Oregon Years 2008 – 2011 ³⁰

Name of school	Average # Students tested/year	Average Annual Pass Rate	# of students who passed and available for hire	Average # of instructors/year	Average # of students per instructor available for hire each year
H&R Block	324	74%	241	49	5
Jackson Hewitt	73	74%	54	9	6
Liberty	73	64%	47	9	5
Pacific Northwest Tax School	63	92%	57	2	24
All other schools and colleges	96	64%	61	20	3
*Undisclosed	191	48%	92	Unknown	Unknown

**Name of school was not disclosed either because the student did not know the name of their instructor, or more commonly because the student was retaking the test. The Oregon Tax Board provides instructor pass rates only for first-time test takers.*

Economies of scale give the three national chains a distinct advantage over smaller private schools and colleges since course curriculums are developed, updated and marketed by the national chains for use by all franchisees nationwide. In contrast, private schools and colleges must either create their own curriculum on an annual basis or purchase curriculum from another source.

Since most students who graduate from a school offered by one of the three national chains will be recruited to work for the company with which they completed their education, independent tax services are left with a very small pool of graduating students from which they can recruit each year. Independent tax schools and colleges within the State of Oregon were able to produce an average total of only 118 new licensees annually. The average number of licensees within the State remains relatively constant over time (the [GAO reported there were 3,993 LTCs and LTPs licensed in Oregon in 2008](#) and for 2011, the number is 3,729) so

³⁰ Source: We analyzed 2008-2011 historical pass rates for schools and averaged the information into the categories shown in this table.

these new licensees merely replace existing tax preparers and do not result in a net increase in number of tax preparers available to work for independent tax services.

Costs associated with becoming and maintaining RTRP status

Basic tax course tuition costs and IRS competency testing fees aside, national licensing will cost each tax preparer about \$200 per year. This assumes \$63 for registry renewal and 15 hours of CE at \$9-\$10 per hour. The IRS says it will use some of the proceeds from registration fees to launch a public awareness campaign. This is money that will heighten awareness of the industry and turn consumers towards legitimate registered professionals.

The following costs must be paid to obtain initial registration.

1. Initial PTIN \$64.25
2. Background /fingerprint check \$120 (estimated)
3. Competency test fee \$116

Additional variable costs associated with passing the competency test include:

1. Completion of a test preparation course.
2. Transportation to and from a Prometric testing center.

Unlike Oregon, the IRS is not requiring tax preparers to complete a basic tax course as a condition of registration. However, Oregon's example shows that most tax preparers will need to complete a significant study program in order to pass the RTRP competency test. The cost of completing test preparation courses varies from \$127 - \$600 depending on the specific course and education provider selected. In addition, the pass rate for preparers who retake the LTP exam is lower than it is for those who take it for the first time. This further demonstrates the

important role tax schools play in preparing tax preparers for government tests.

How do costs of IRS compliance for RTRPs compare with costs of compliance paid by tax preparers in Oregon and California?

Both Oregon and California require tax preparers to pay annual registration fees and complete continuing education (CE) programs. Tax preparers in these states are not exempt from IRS regulations and will need to obtain PTINs, pass the IRS competency test and complete background checks. It is possible to complete IRS and state CE requirements simultaneously so long as the CE provider meets both IRS and state requirements.

- Oregon tax preparers must complete 30 hours of CE annually and pay an annual license fee of \$80. New tax preparers must also complete an approved 80-hour basic tax course covering federal and Oregon individual tax law and pass Board licensing exams. The average cost of an approved basic tax course ranges from \$300 - \$600. The cost for sitting the Board exam is \$50 - \$85.
- California tax preparers must complete 20 hours of CE, pay an annual registration fee of \$25 and maintain a \$5,000 bond at a cost of \$25. California tax preparers must also complete 60 hours of qualifying education in federal and California tax law from a CTEC-approved course provider. The cost of CTEC-approved qualifying education ranges from \$150 - \$795.

Who pays the cost of obtaining required CPE and license renewal?

In Oregon and California each individual tax preparer generally pays for his or her own license and CE requirements. Some employers pay for their employees' CE, but most preparers pay

for their own.

Who will pay for basic tax education needed to pass IRS exams?

In Oregon and California, most students pay their own tuition, but it is also common for a tax service owner or CPA to pay tuition for an employee. Less commonly, an employer will reimburse an employee the cost of tuition after the employee passes the licensing exam.

Do RTRP test preparation courses qualify for CE?

The IRS accepts CE obtained from approved providers. Each approved provider is issued a provider identification number. Providers must register and obtain course codes for all CE programs offered. RTRP test preparation courses qualify for CE with the IRS only if they are offered by an IRS-approved education sponsor.

Can CPAs, EAs, Oregon tax preparers, and CRTPs receive CE for education programs offered by an IRS approved CE sponsor?

Each agency sets forth its own rules for accepting CE. If a CE provider is approved by the IRS and CTEC for example, then it is possible for a particular course to qualify as CE for IRS and CTEC simultaneously.

CPAs are not required to maintain CE with the IRS and final authority for recognition of CE credits rests with each states' board of accountancy. Fifty state boards of accountancy independently determine whether CE obtained through a specific course or education sponsor qualifies for CE. Most state boards of accountancy recognize courses offered by CE sponsors who are

registered with the National Association of State Boards of Accountancy (NASBA). Some states such as New York and Texas require direct registry and some states require registry with QAS. It is the responsibility of each CPA to verify whether a CE sponsor meets the standards set forth by his or her state.

How much does CE cost?

The cost of CE varies greatly with some sponsors charging as little as \$4 per hour and others charging as much as \$30 per hour. A good industry average is \$10 - \$15 per hour.

Factors to consider when paying for CE

There are three reasons for completing CE:

1. IRS or state law requires it,
2. To reduce error rates and avoid IRS compliance-related issues, and
3. To enhance knowledge and professional skills that will attract and keep satisfied tax clients.

The new IRS rules which require RTRPs to obtain 15 hours of CE annually are directed at improving tax preparer competency. The IRS is using the new PTIN registration process to track tax preparer error rates. Tax preparers who show higher than average error rates may receive letters from the IRS and depending on the nature, pattern and seriousness of errors may be subject to fines or have their rights to practice suspended.³¹

Aside from maintaining good standing with the IRS, tax preparers should also consider the role professional competence plays in

IRS Compliance Letters

Statements from IRS Commissioner Doug Shulman on Nov. 8, 2011

[The IRS will send letters to tax return preparers who have been identified as "high risk."](#) The letters are intended to bring to these return preparers' attention that we've noticed some questionable traits on a number of their Schedules A, C, or E.

These letters are sent based on real data showing historical issues with taxpayer returns. Some additional compliance efforts will include in-person visits focused on return preparers we've identified as "egregious" with high error rates. And we will be ratcheting up our efforts to identify "ghost preparers."

In addition, we will conduct in-person visits with EITC return preparers to discuss due diligence requirements, assessing penalties against those who are found to be non-compliant³¹.

³¹ Source: Prepared Remarks of IRS Commissioner Doug Shulman at the AICPA Fall Meeting in Washington, D.C., on Nov. 8, 2011. <http://www.irs.gov/newsroom/article/0,,id=249453,00.html>.

attracting and maintaining satisfied clients. The tax preparation industry is competitive and clients want to work with tax preparers who know what they are doing. Competent, skilled tax preparers are able to earn a higher wage and enjoy a loyal client base.

In selecting a course or education provider for CE, tax preparers should consider the overall return on investment the CE is providing. Ideally, the CE is affordable and provides a level of education that is relevant to improving the professional knowledge and skills of the tax preparer.

Tax theory vs. tax return mechanics

Most CE programs provide overviews of general subjects that focus primarily on tax law theory with little to no attention given to the mechanics of tax return preparation. Theory-based education usually consists of a lecture or, if self-study, a reading assignment which is accompanied by a bank of multiple choice questions that test knowledge of the subject matter.

At a recent tax practitioner forum in Salem Oregon, an IRS Stakeholder Liaison commented that *“midsize CPA firms are finding some of their new hires are reluctant to enter the tax preparation industry because they are not learning form mechanics while in college”*. Form mechanics is the application of tax law theory to preparation of an accurate tax return. Courses that teach form mechanics move beyond tax law theory by incorporating illustrations and assignments that encourage critical thinking. Courses that teach tax form mechanics incorporate the following learning tools:

1. Instructions and illustrations on how to read and interpret reporting documents such as K-1s, W-2s, brokerage statements, HUD statements, etc.,

2. Provide comprehensive illustrations that demonstrate how to complete tax forms based upon tax scenarios or situations,
3. Provide assignments which encourage critical thinking and require students to demonstrate comprehension of tax law by completing tax forms or returns.

While theory and tax return mechanics are both important to tax preparer education, courses that include tax return mechanics are more difficult to create and administer. Form mechanics courses also create a greater workload for both teacher and student since the student must complete complex assignments rather than just answering multiple-choice questions. Thus, even as CPA firms and tax preparation businesses are concerned with the level of education held by entry-level tax preparers, very few education providers attempt to offer comprehensive tax courses which included form mechanics.

Conclusion

The new regulatory environment for tax preparers has created a greatly expanded need for courses that teach individual tax law. While some education providers have well-established tax education programs, new providers have moved to bring their test preparation programs to market for the first time. There is a short window of time where existing tax preparers will be looking for test preparation courses that will help them pass the IRS test. There will also continue to be an ongoing need for courses that will educate new tax preparers who are entering the industry for the first time, and for continuing education courses for existing tax preparers

Tax preparers and tax preparation businesses can benefit from the knowledge and experience Oregon's 38-year regulatory

history provides. In particular, how quality tax education programs play a critical role in producing a vital supply of new tax preparers and adding to the professional competence of existing tax preparers.

About Pacific Northwest Tax School

Pacific Northwest Tax School, Inc. is an independently owned and operated Oregon-based Corporation. The School was initially formed in 2001 to provide a quality educational program which would create a greatly needed supply of tax preparers within the Nation's most heavily regulated tax preparer environment. The overriding goal of the school is to produce graduates who are well versed in tax law theory and tax return mechanics while at the same time prepared to pass rigorous tax preparer exams. The quality of the School's curriculum produces graduating students who consistently achieve high overall pass rates at the Oregon tax preparer exams. Throughout its ten-year history, Pacific Northwest Tax School has worked continuously to improve upon school curriculum by adapting to changing tax laws, adapting to web-based technologies, and identifying areas where tax preparers can benefit from better education.

Online Basic Tax Course

In 2008, the School launched an online offering of the [Basic Tax Course](#). The online curriculum includes more than 72 hours of instruction in federal individual tax law which is delivered through a sophisticated online Learning Management System (LMS). The LMS allows students to read and print customized student manuals, watch full-length lecture videos, complete online tests and communicate with course instructors through a Q & A forum. Student manuals are written by the school and designed to teach tax law by using easy to understand language and comprehensive illustrations. Curriculum is designed to guide students through the complex world of tax law theory and tax return mechanics; with

each session building on content covered in early sessions. Classwork and homework assignments provide students the opportunity to apply tax theory to actual preparation of tax returns. Students must complete tax forms and tax returns that increase in complexity throughout the course with most of the 19 sessions requiring students to complete multiple tax forms for each tax return assignment. 700 multiple-choice format questions are delivered through a series of 22 separate quizzes and tests that help student's home test-taking skills.

Continuing Education

Pacific Northwest Tax School [continuing education tax programs](#) are designed to increase tax preparer knowledge and skill by bringing clarity to tax laws and how they relate to the real world of professional tax preparation. The school offers a well-rounded series of CE courses designed to teach and reinforce understanding of tax laws and how tax laws apply to preparation of tax returns. Tax return theory and mechanics are included with most courses.

College Partnerships

More than 30 colleges and universities nationwide have partnered with Pacific Northwest Tax School to bring its online Basic Tax Course and CE programs to their students; with additional colleges being added regularly. Information about courses offered through each college can be found via the links shown below.

Table 6 – Pacific Northwest Tax School Partnering Colleges

Clark County Community College	http://www.collegetaxschool.com/clark-college
Alvin Community College	http://www.collegetaxschool.com/alvin-community-college
Bunker Hill Community College	http://www.collegetaxschool.com/bunker-hill
College of the Canyons	http://www.collegetaxschool.com/college-of-the-canyons
Community College of Denver	http://www.collegetaxschool.com/ccd
Contra Costa College	http://www.collegetaxschool.com/contra_costa
Daytona State College	http://www.collegetaxschool.com/daytona-state-college
Delgado Community College	http://www.collegetaxschool.com/delgado-community-college
Essex County College	http://www.collegetaxschool.com/essex-county-college
Ivy Tech NW Community College	http://www.collegetaxschool.com/itcc
Kent State University	http://www.collegetaxschool.com/kent-state-university

Lackawanna College	http://www.collegetaxschool.com/lackawanna-college
Normandale Community College	http://www.collegetaxschool.com/normandale-community-college
Northampton Community College	http://www.collegetaxschool.com/northampton
NYC College of Technology	http://www.collegetaxschool.com/citytech
Ohlone College	http://www.collegetaxschool.com/ohlone-college
Oregon State University	http://www.collegetaxschool.com/osu
Palm Beach State College	http://www.collegetaxschool.com/palmbeachstate
Pierce College Continuing Education (pending)	http://www.collegetaxschool.com/pierce-college
Rancho Santiago Community College District	http://www.collegetaxschool.com/corporate-training-institute
Reading Area CC	http://www.collegetaxschool.com/reading-area-community-college
Richland College	http://www.collegetaxschool.com/richland
Rio Hondo College	http://www.collegetaxschool.com/rhc
San Antonio College	http://www.collegetaxschool.com/san-antonio-college
Seattle Central Community College (pending)	http://www.collegetaxschool.com/seattle-central
Spokane Community College	http://www.collegetaxschool.com/scc
Stark State College	http://www.collegetaxschool.com/stark-state-college
State College of Florida Manatee- Sarasota	http://www.collegetaxschool.com/scf-manatee-sarasota
Texas A+M Corpus Christi	http://www.collegetaxschool.com/tamucc
Tulsa Community College	http://www.collegetaxschool.com/tulsa-community-college
UH Honolulu Community College	http://www.collegetaxschool.com/uh-honolulu-community-college

Credentials

Pacific Northwest Tax School is a licensed vocational school regulated by the Oregon Department of Education. The school is approved as a sponsor of education programs by the following organizations:

- The Internal Revenue Service – Sponsor number VRD3D
- The Oregon Board of Tax Practitioners
- The California Tax Education Council (CTEC) – Sponsor number 6180
- The National Association of the State Boards of Accountancy (NASBA) – Sponsor number 109290
- The Texas State Board of Public Accountancy – Sponsor number 009794
- The New York State Board for Public Accountancy – Sponsor number 002479

Glossary

Certified Public Accountant (CPA) - is the statutory title of qualified accountants in the United States who have passed the Uniform Certified Public Accountant Examination and have met additional state education and experience requirements for certification as a CPA.

Enrolled Agent (EA) - is a tax professional recognized by the United States federal government to represent taxpayers in dealings with the Internal Revenue Service (IRS). The profession has been regulated by Congress since 1884. To become an Enrolled Agent an applicant must pass the Special Enrollment Examination or present evidence of qualifying experience as an Internal Revenue Service employee. A background check, including a review of the applicant's tax compliance, is conducted. The IRS also requires Enrolled Agents to complete 72 hours of continuing professional education every three years.

General Accounting Office (GAO) - The *Government Accountability Office (GAO)* is the audit, evaluation, and investigative arm of the United States Congress charged with examining matters relating to the receipt and payment of public funds.

Oregon Board of Tax Practitioners - The Oregon State Board of Tax Practitioners was created by the 1973 Legislative Assembly for the purpose of protecting the consumer by ensuring that Oregon tax professionals are competent and ethical in their professional activities. All persons in Oregon who prepare, advise or assist in the preparation of personal income tax returns for a fee, or represent that they do so, must be licensed.

Licensed Tax Preparer (LTP) - A **tax preparer** license from the Oregon Board of Tax Practitioners enables you to lawfully prepare personal income tax returns in Oregon for a fee or valuable consideration. A tax preparer must work under the supervision of a licensed tax consultant, a certified public accountant, a public accountant, or an attorney-at-law.

Licensed Tax Consultant (LTC) - A **tax consultant** license enables you to lawfully prepare personal income tax returns in Oregon for a fee or valuable consideration as a self-employed or independent tax practitioner.

California Tax Education Council (CTEC) - was established by the California State Legislature to promote competent tax preparation within the State of California and is responsible for administering regulations governing tax preparers in California.

National Association of Tax Preparers (NATP) - NATP is a nonprofit professional association serve a diverse group of tax professionals that include individual tax preparers, enrolled agents, certified public accountants, accountants, attorneys, and financial planners by providing the support, education, products, and services.

National Taxpayer Advocate Service (TAS) - is an independent organization within the IRS which helps taxpayers who are experiencing economic harm, such as not being able to provide necessities like housing, transportation, or food; taxpayers who are seeking help in

resolving problems with the IRS; and those who believe an IRS system or procedure is not working as it should.

Preparer Tax Identification Number (PTIN) - IRS Regulations require all paid tax return preparers to obtain a Preparer Tax Identification Number (PTIN). Preparers must renew their PTIN each year by December 31. Some preparers will also soon need to pass a competency test and take continuing education courses

Prometric, Inc. – is a third-party testing service provider which the IRS uses to administer the RTRP test and the Special Enrollment Exam.

Documents referenced in this paper

California Tax Education Council Annual Report

[CTEC Financials](#)

July 2011

California Tax Education Council

[Approved Education Providers](#)

Treasury Department Circular No. 230 (Rev. 8-2011)

Catalog Number 16586R

[Regulations Governing Practice before the Internal Revenue Service](#)

H&R Block Course Facts

https://www.hrblock.com/taxes/planning/tax_courses/course_schedule.html

INTERNAL REVENUE SERVICE

Registered Tax Return Preparer Test Candidate Information Bulletin

[Published by Prometric, Inc.](#)

Effective October 1, 2011

IRS Moves to Next Phase of Return Preparer Initiative; New Competency Test to Begin

[IR-2011-111, Nov. 22, 2011](#)

Page 2

Oregon Board of Tax Practitioner Pass Rates

[Exams Taken Between 3/1/2008 and 2/28/2009](#)

[Exams Taken Between 3/1/2009 and 2/28/2010](#)

[Exams Taken Between 3/1/2010 and 2/28/2011](#)

Includes College Proctored and Board Administered Examinations

**PAID TAX RETURN PREPARERS
In a Limited Study, Chain Preparers Made Serious Errors**

[Statement of Michael Brostek, Director Strategic Issues](#)
United States Government Accountability Office
GAO Testimony Before the Committee on Finance, U.S. Senate
April 4, 2006

**Prepared Remarks of IRS Commissioner Doug Shulman at the
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RETURN PREPARER REVIEW

[INTERNAL REVENUE SERVICE](#)
December 2009

Return Preparer Review Initiative – A Retrospective
[Discussion Paper Submitted to the House of Representatives Committee
on Ways and Means Subcommittee on Oversight](#)
By Paul Cinquemani,
Director of Member Services, Business Development and
Government Relations, National Association of Tax Professionals
July 28, 2011

2009 Annual Report to Congress — Volume One
[Taxpayer Advocate Service](#)

**TAX PREPARERS
Oregon’s Regulatory Regime May Lead to Improved Federal Tax
Return Accuracy and Provides a Possible Model for National
Regulation**

[Report to the Committee on Finance](#), U.S. Senate
United States Government Accountability Office
August 2008

**Tax Preparers Brace for a Shakeout - New IRS rules are expected to
generate a wave of consolidation in the tax-preparation industry**

By Richard Rubin
[Bloomberg Businessweek](#)
Special Report January 20, 2011

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April Gutierrez is founder of Pacific Northwest Tax School and Pacific Northwest Tax Service. She first entered the tax preparation industry in 1992 when she purchased a franchise from a national chain. After three seasons, April decided to terminate the franchise relationship and together with her husband Jess, formed Pacific Northwest Tax Service.

Since that time, Pacific Northwest Tax Service has grown into one of the largest independent tax services in Oregon. April has focused on continually improving and expanding upon the range of products and services provided by the company which now include, accounting, payroll, tax preparation, business consulting and tax education.

After recognizing a need to better train her tax preparers on the fundamentals of law, April wrote and developed a basic 80-hour tax course that would focus on preparing students to pass the Oregon Tax Preparer Exams. The quality of the school and its curriculum has produced graduates who consistently achieve some of the highest pass rates of any tax school at the Oregon Tax Board Exams.

Known for her entertaining speaking style and ability to make a complex subject easy to understand, April is frequently invited to speak to business groups and news media on tax-related topics. She has a B.A. in Communication Studies from Murdoch University in Perth, Australia. She obtained her Oregon LTC in 1995.

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The Oregon Board of Tax Practitioners, the California Tax Education Counsel, and various other tax professionals and interested parties were invited to comment on the contents of this white paper. This paper accommodates suggestions received from the Oregon Board of Tax Practitioners and several independent tax professionals. As of the date of publication, no feedback was received from CTEC.