



## Support HB 14 – 1285: Taxpayer Protection Disclosure Act

Sponsors: Rep. Ryden, Sen. Johnston & Sen. Aguilar

**Choosing who prepares your taxes can be difficult decision, especially since the consequences of tax filing errors can be devastating. That is why Colorado taxpayers need to know what kind of training the person preparing their tax returns has, how they charge for their services and how to reach them in case there's a problem later. To ensure this basic level of transparency and accountability, Colorado should pass the Taxpayer Protection Disclosure Act.**

In 2008, paid tax preparers completed 60 percent of all tax returns, preparing more than 80 million individual tax returns annually. The precise number of tax return preparers is unknown, but the IRS estimates that there are between 900,000 and 1.2 million individuals preparing tax returns for a fee across the United States. In Colorado, more than a million taxpayers paid someone else to do their 2011 taxes.

Preparing taxes is a challenging task and the implications of mistakes are costly. Taxpayers trust preparers with all of their personal, financial information and count on them to accurately prepare their annual returns to avoid future troubles with the IRS. In light of the extremely sensitive information shared with a paid preparer — and the profound consequences that can follow when something goes wrong — it is essential that taxpayers know about their preparer's experience, education and qualifications as well as their fees for services and whether they can or will represent the taxpayer in tax court.

Most paid preparers are diligent about the accurate completion of tax returns. However, studies have found that some paid preparers make recurring mistakes. While some of the errors are due to the complicated nature of the tax code, others are more intentional. The Treasury Department found that more than 20 percent of all returns completed by paid preparers had misstatements or omissions deemed to be willful or reckless. When fraud does occur, it's especially damaging to poor and non-English speaking communities, the most frequent targets for this kind of abuse.

Some states are moving to a full-regulatory system for tax preparers, similar to that of a CPA or attorney. However, Colorado needs a unique approach to consumer protection, free from heavy-handed regulation. The Colorado Taxpayer Protection Disclosure Act allows consumers to control who prepares their taxes with the added confidence of full disclosure from paid preparers.

### FACT SHEET

**Bill title:** Taxpayer Protection Act

**Bill No.:** TBD

**Sponsors:** Rep. Ryden, Sen. Johnston & Sen. Aguilar

**Our position:** Support

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**Colorado needs to take action. Taxpayers should have full disclosure about the qualifications and experience of paid tax preparers. Colorado should pass the Taxpayer Protection Disclosure Act and ensure taxpayers can make informed, complete decisions about who prepares their taxes, while reducing fraud and tax noncompliance.**

Paid preparers should be required to provide uniform disclosure to their clients. This bill requires all paid preparers to provide a disclosure to their potential clients that includes the following:

- The tax preparer’s qualifications — whether it be education, experience, an IRS training or none
- The tax preparer’s IRS registration number (Personal Tax Identification Number).
- Information on how to reach the tax preparer during the year.
- Whether the tax preparer will represent you at a government audit.
- How fees and charges are calculated.

The disclosure will be given to the taxpayer before the completion of the tax work. Both the taxpayer and the preparer will sign the disclosure. Preparers will face a penalty for non-compliance, enforced by the Consumer Protection division under the Attorney General. There is also a criminal penalty for fraudulent disclosures.

Colorado taxpayers should be able to make informed decisions about who prepares their taxes. The time is now for the Colorado Taxpayer Protection Disclosure Act.

**Pass HB 14-XXXX! Support Colorado Taxpayers!**