To set minimum standards for tax return preparers.

IN THE SENATE OF THE UNITED STATES

Mr. Wyden (for himself, Mr. Cardin, Mr. Bennet, Mr. Carper, and Mr. Brown) introduced the following bill; which was read twice and referred to the Committee on _______

A BILL

To set minimum standards for tax return preparers.

Be it enacted by the Senate and House of Representa-
tives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Taxpayer Protection
and Preparer Proficiency Act of 2019”.

SEC. 2. REGULATION OF TAX RETURN PREPARERS.

(a) In General.—Subsection (a) of section 330 of
title 31, United States Code, is amended—

(1) by striking paragraph (1) and inserting the
following:

“(1) regulate—
“(A) the practice of representatives of persons before the Department of the Treasury; and

“(B) the practice of tax return preparers; and”, and

(2) in paragraph (2)—

(A) by inserting “or a tax return preparer to prepare tax returns” after “practice”,

(B) by inserting “or tax return preparer” before “demonstrate”, and

(C) by inserting “or in preparing their tax returns, claims for refund, or documents in connection with tax returns or claims for refund” after “cases” in subparagraph (D).

(b) AUTHORITY TO SANCTION REGULATED TAX RETURN PREPARERS.—Subsection (e) of section 330 of title 31, United States Code, is amended—

(1) by striking “before the Department”,

(2) by inserting “or tax return preparer” after “representative” each place it appears, and

(3) in paragraph (4), by striking “misleads or threatens” and all that follows and inserting “misleads or threatens—

“(A) any person being represented or any prospective person being represented; or
“(B) any person or prospective person
whose tax return, claim for refund, or document
in connection with a tax return or claim for re-
fund, is being or may be prepared.”.

(c) Minimum Competency Standards for Tax
Return Preparers.—Section 330 of title 31, United
States Code, is amended by adding at the end the fol-
lowing new subsection:

“(f) Tax Return Preparers.—

“(1) In general.—Any tax return preparer
shall demonstrate minimum competency standards
under this subsection by—

“(A) obtaining an identifying number for
securing proper identification of such preparer
as described in section 6109(a)(4) of the Intern-
nal Revenue Code of 1986;

“(B) satisfying any examination and an-
nual continuing education requirements as pre-
scribed by the Secretary; and

“(C) completing a background check ad-
ministered by the Secretary.

“(2) Exemption.—The Secretary shall exempt
tax return preparers who have been subject to com-
parable examination, continuing education require-
ments, and background checks administered by the
Secretary or any comparable State licensing program. Such exemption shall extend directly to individuals who are supervised by such preparers and are not required to secure an identification number under section 6109(a)(4).”.

(d) TAX RETURN PREPARER DEFINED.—Section 330 of title 31, United States Code, as amended by subsection (c), is amended by adding at the end the following new subsection:

“(g) TAX RETURN PREPARER.—For purposes of this section—

“(1) IN GENERAL.—The term ‘tax return preparer’ has the meaning given such term under section 7701(a)(36) of the Internal Revenue Code of 1986.

“(2) TAX RETURN.—The term ‘tax return’ has the meaning given to the term ‘return’ under section 6696(e)(1) of the Internal Revenue Code of 1986.

“(3) CLAIM FOR REFUND.—The term ‘claim for refund’ has the meaning given such term under section 6696(e)(2) of such Code.”.

(e) AMENDMENTS WITH RESPECT TO IDENTIFYING NUMBER.—
(1) IN GENERAL.—Section 6109(a) is amended by striking paragraph (4) and inserting the following:

“(4) FURNISHING IDENTIFYING NUMBER OF TAX RETURN PREPARER.—

“(A) IN GENERAL.—Any return or claim for refund prepared by a tax return preparer shall bear such identifying number for securing proper identification of such preparer, his employer, or both, as may be prescribed. For purposes of this paragraph, the terms ‘return’ and ‘claim for refund’ have the respective meanings given to such terms by section 6696(e).

“(B) EXCEPTION.—Subparagraph (A) shall not apply to any tax return preparer who prepares a return or claim for refund under the supervision and direction of a tax return preparer who signs the return or claim for refund and is a certified public accountant, an attorney or enrolled agent.”.

(2) CLARIFICATION OF RESCISSION AUTHORITY.—Section 6109 is amended by inserting after subsection (d) the following new subsection:

“(e) AUTHORITY TO RESCIND IDENTIFYING NUMBER OF TAX RETURN PREPARER.—
“(1) In general.—The Secretary may rescind an identifying number issued under subsection (a)(4) if—

“(A) after notice and opportunity for a hearing, the preparer is shown to be incompetent or disreputable (as such terms are used in subsection (c) of section 330 of title 31, United States Code), and

“(B) rescinding the identifying number would promote compliance with the requirements of this title and effective tax administration.

“(2) Records.—If an identifying number is rescinded under paragraph (1), the Secretary shall place in the file in the Office of the Director of Professional Responsibility the opinion of the Secretary with respect to the determination, including—

“(A) a statement of the facts and circumstances relating to the determination, and

“(B) the reasons for the rescission.”.

(f) GAO study and report on the exchange of information between the IRS and state taxation authorities.—

(1) In general.—Not later than 18 months after the date of the enactment of this Act, the
Comptroller General shall conduct a study and submit to Congress a report on the sharing of information between the Secretary of the Treasury and State authorities, as authorized under section 6103(d) of the Internal Revenue Code of 1986, regarding identification numbers issued to paid tax return preparers and return preparer minimum standards.

(2) Increased information sharing.—The study and report described in paragraph (1) shall include an analysis of the impact that increased information sharing between Federal and State authorities would have on efforts to enforce minimum standards on paid tax return preparers.