

Ethics Update: What's Changed for Tax Professionals

This presentation covers the ethical requirements and due diligence responsibilities for tax preparers. We'll explore key regulations like Circular 230, preparer penalties, and best practices for maintaining professional standards. Understanding these guidelines is crucial for providing quality service and avoiding legal issues.

TRN
TAX REP NETWORK

Meet Your Presenters

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Webinar Housekeeping

1 Duration and Credit

One-hour webinar offering one CE/CPE credit for EAs and CPAs.

3 PTIN Input

EAs will need to input their PTIN for credit.

2 Attendance Checks

Four pop-up checks throughout. Complete at least three to receive credit.

4 Technical Support

Email Team@taxrepllc.com for any issues.

Defining Ethics in Tax Preparation

Moral Principles

Ethics in tax preparation involves distinguishing between right and wrong conduct.

Professional Standards

Adherence to codes of ethics and professional conduct guidelines.

Legal Compliance

Following tax laws and regulations set by authorities like the IRS.



Who Is Considered a Tax Preparer?

Included

- Prepares substantial portion of return
- Signing or non-signing preparers
- Compensated for services

Not Included

- Typing or mechanical reproduction
- Continuously employed individuals
- Fiduciaries
- Volunteer preparers (VITA, TCE)



Practice Before the IRS

- 1** Filing Documents
Submitting tax returns, forms, and other official paperwork to the IRS
- 2** Communication
Corresponding with the IRS orally or in writing regarding prepared returns
- 3** Representation
Attending conferences, hearings, and meetings with IRS officials on behalf of clients

Consequences of Ethical Violations



Legal Action

Suspended tax preparers face legal consequences, including potential prison time for severe violations.



Financial Penalties

Substantial fines and monetary penalties can be imposed for ethical breaches.



Professional Sanctions

Preparers may be barred from practice before the IRS or face other professional restrictions.



Key Ethical Requirements

1

Furnish Copy of Return

Provide clients with a copy of their completed tax return

2

Sign Returns

Properly sign all prepared tax returns

3

Use PTIN

Include Preparer Tax Identification Number on all returns

4

Retain Records

Keep copies of prepared returns and maintain a list of returns prepared



Handling Client Information

Confidentiality

Protect client information and maintain strict confidentiality

Record Keeping

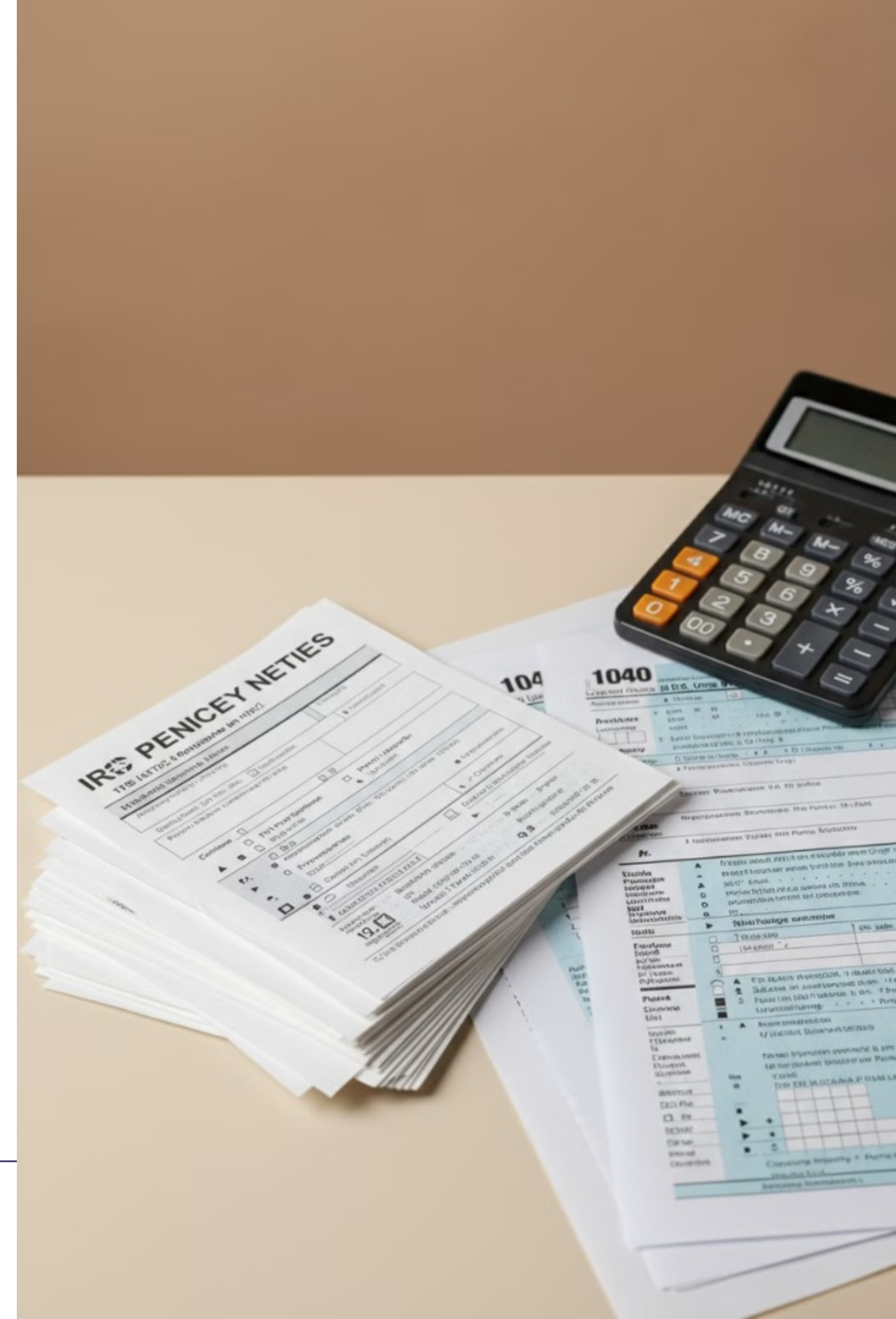
Maintain accurate and complete records of client interactions and tax preparation

Information Security

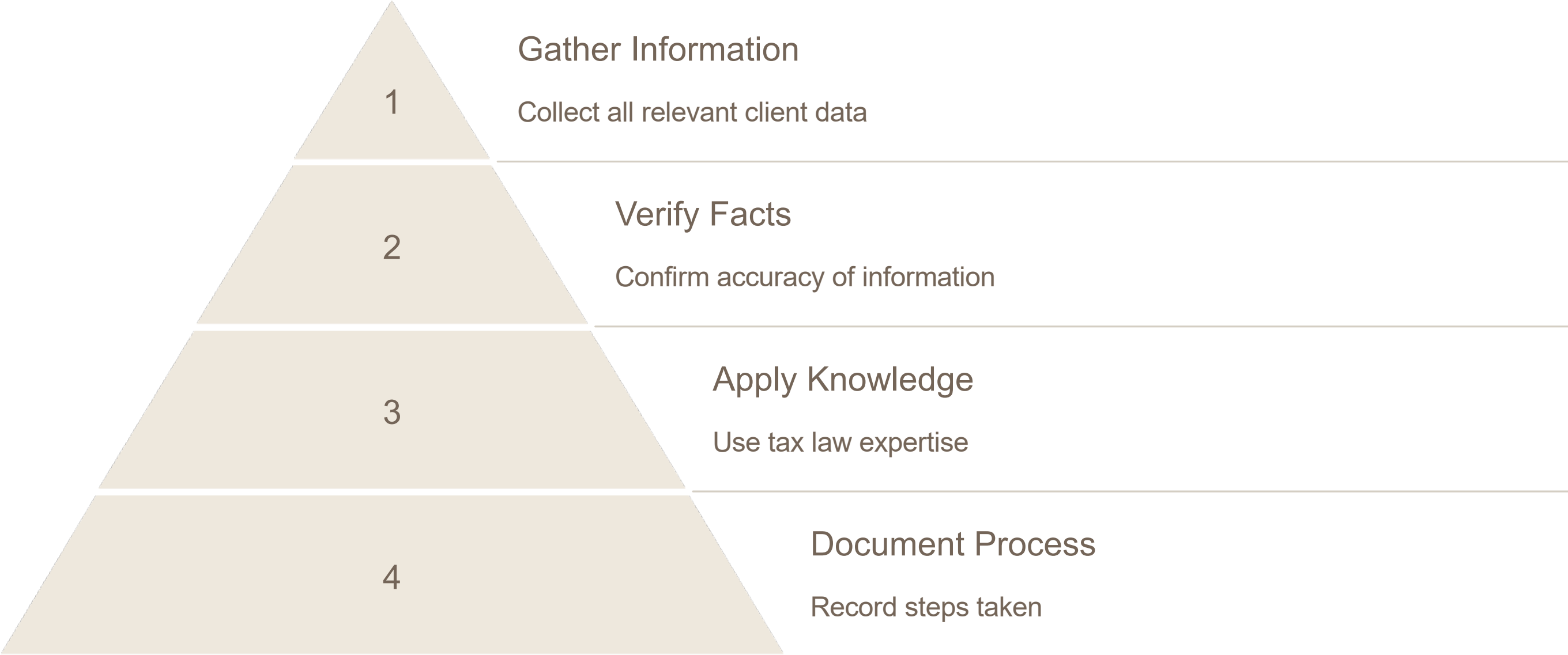
Implement measures to safeguard client data from unauthorized access or breaches

Preparer Penalties

Violation	Penalty Per Return	Maximum
Failure to furnish copy	\$60	\$31,500
Failure to sign return	\$60	\$31,500
Failure to provide PTIN	\$60	\$31,500
Failure to retain copy	\$60	\$31,500
Endorsing refund check	\$635	None



Due Diligence Requirements



Consequences of Due Diligence Failures

For Clients

- Audits and examinations
- Penalties and interest
- Disallowance of credits or deductions

For Preparers

- Monetary penalties
- Loss of professional credentials
- Reputational damage
- Legal consequences



Best Practices for Ethical Compliance

1 Ongoing Education

Stay updated on tax laws and ethical guidelines

2 Implement Office Policies

Establish clear procedures for due diligence and ethical conduct

3 Regular Staff Training

Conduct annual reviews of ethical requirements with all team members

4 Utilize IRS Resources

Take advantage of free IRS training modules and educational materials

Key Takeaways

1

Ethical Foundation

Ethics are crucial in tax preparation

2

Regulatory Compliance

Adhere to Circular 230 and IRS guidelines

3

Due Diligence

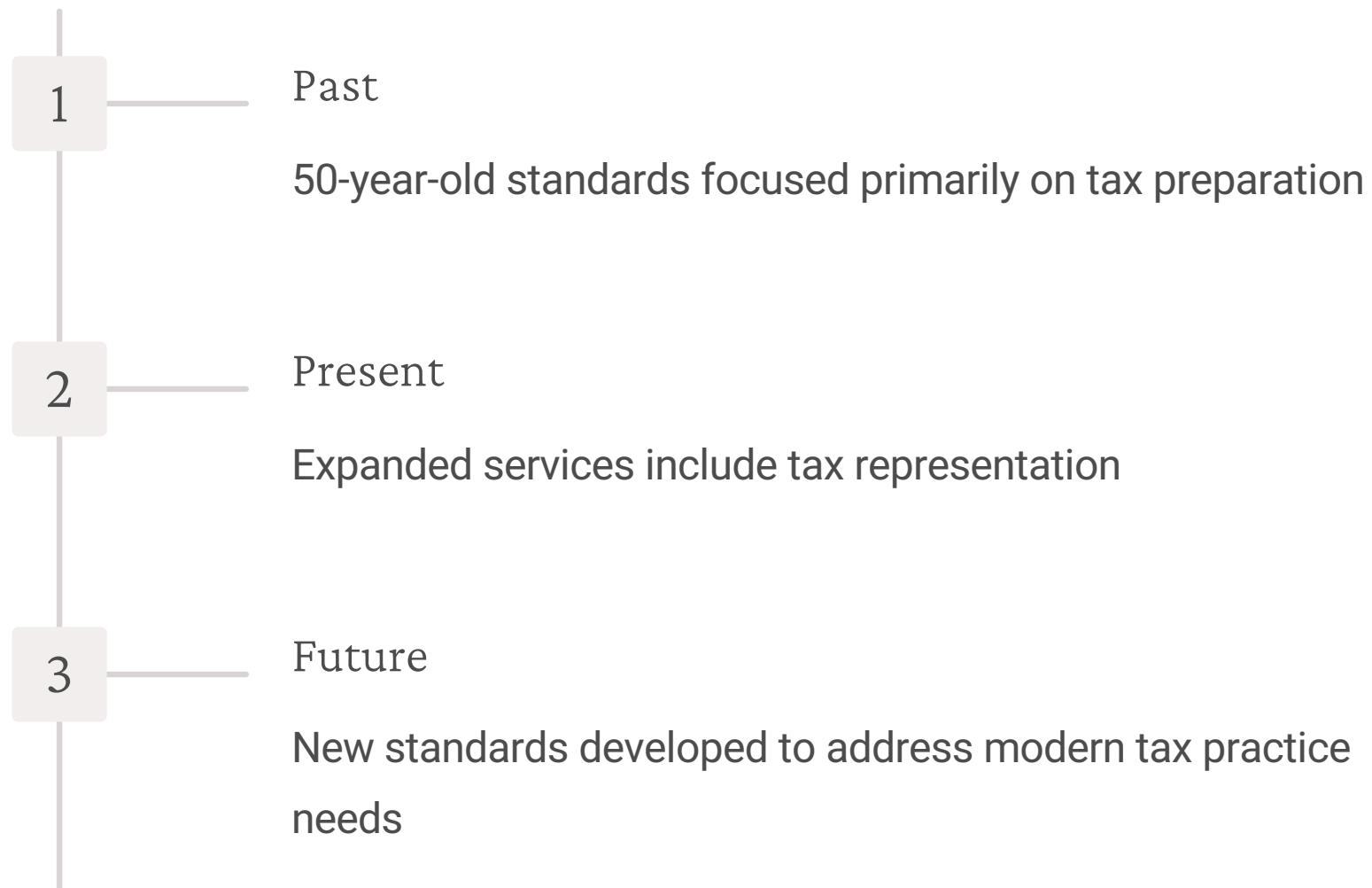
Exercise thorough care in all tax matters

4

Continuous Improvement

Regularly update knowledge and practices

AICPA Standards Update



AICPA[®]



Key Updates to AICPA Standards

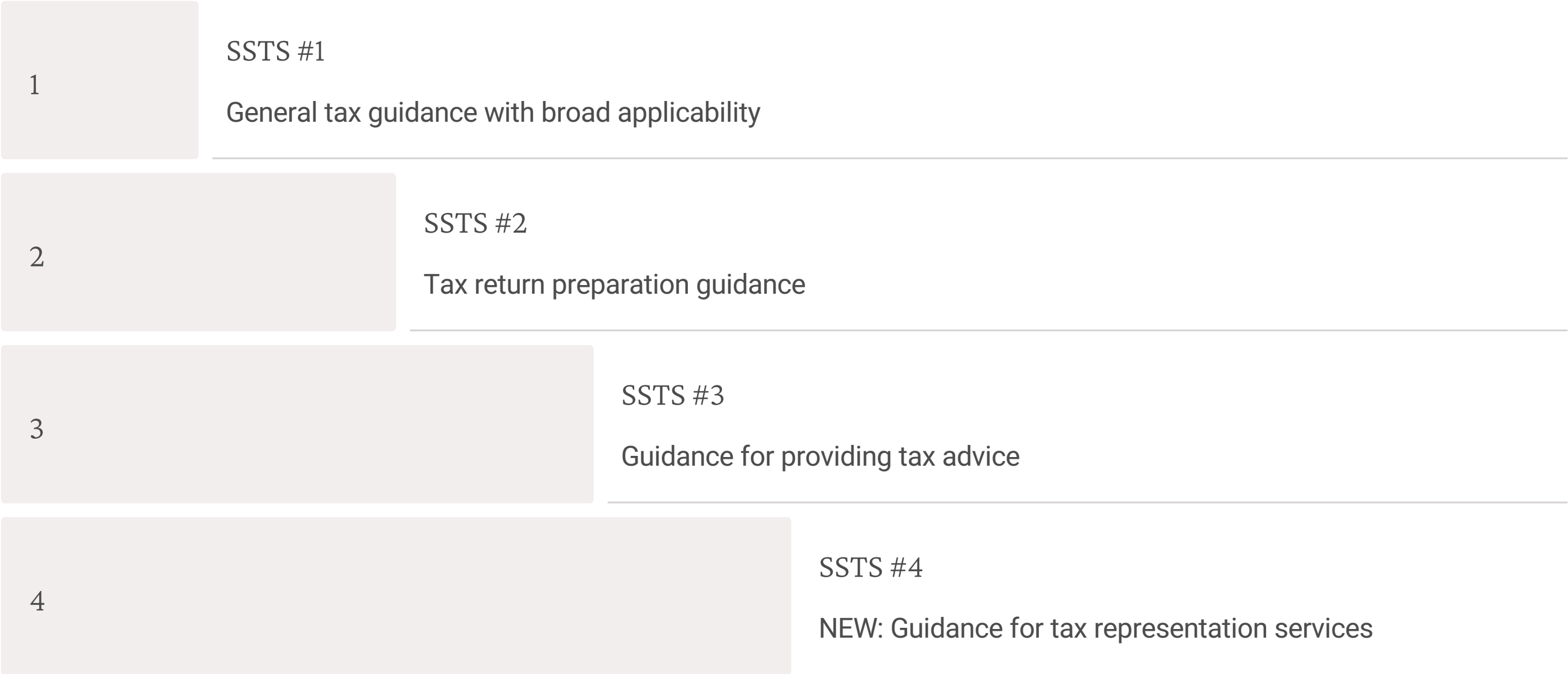
Reorganization

Standards now organized by type of tax work performed, enhancing clarity and applicability.

New Standards

Three new standards introduced, focusing on data protection, tool reliance, and client representation before tax authorities.

New SSTS Structure



SSTS #4: Tax Representation Services

Focus

Standards for representing taxpayers before applicable taxing authorities

Scope

Applies to the representation relationship itself

Integration

Complements existing standards imposed by specific taxing authorities





Technical Competence Requirements

1

Subject Matter Expertise

Obtain competence in relevant technical tax areas

2

Procedural Knowledge

Understand tax practice and procedures of the taxing authority

3

Regulatory Compliance

Adhere to applicable professional and regulatory requirements

Integrity in Practice

Professional Conduct

Act with integrity and professionalism when dealing with taxing authorities, ensuring timely responses.

Confidentiality

Comply with the "Confidential Client Information Rule" in the AICPA Code of Professional Conduct when handling taxpayer information.

Addressing Fraud and Criminal Conduct

- Awareness
 - Recognize potential fraudulent or criminal conduct by taxpayers
- Evaluation
 - Consider whether to continue the professional relationship
- Communication
 - Discuss consequences with the taxpayer
- Diligence
 - Review exam documents for consistency





Case Study: Unreported Capital Gains

1

Initial Contact

Client receives IRS Notice CP22A indicating unreported capital gains and IRA withdrawals

2

Investigation

Discover client's self-prepared return omitted RSU and SSAR sales

3

Action

Amend return to include proper capital gain calculations

4

Outcome

IRS grants partial claim and abates penalties

Case Study: Resolving IRA Withdrawal Issue

1

Challenge

IRS denies claim on \$10,000 Roth IRA withdrawal

2

Response

File timely small dollar appeal

3

Evidence

Prove withdrawals were Roth contributions





Applying SSTS 4 to the Case Study

Integrity (4.1.5)

Timely filing of appeal
demonstrates professionalism

Professional Relationship (4.1.7)

Continue relationship as client's
mistake was not fraudulent

Client Communication (4.1.8)

Discuss appeal consequences and potential outcomes



Factors Affecting Taxpayer Representation

- Legal Consultation
 - Determine if representation constitutes unauthorized practice of law
- Authorization
 - Execute necessary taxpayer authorizations (e.g., Power of Attorney)
- Licensure
 - Verify if CPA licensure in another jurisdiction is required
- Engagement Terms
 - Document understanding of engagement scope and responsibilities

Conflict of Interest Considerations

AICPA Code Compliance

Adhere to conflict-of-interest standards in the AICPA Code of Professional Conduct, including Ethical Conflicts (ET Sec. 1.000.020) and Integrity and Objectivity Rule (ET Sec. 1.100.001).

Key Principles

- Maintain objectivity and integrity
- Avoid knowingly misrepresenting facts
- Do not subordinate judgment to others



Implementing Ethical Standards in Practice



Continuous Learning

Stay updated on evolving ethical standards and tax laws



Proactive Compliance

Implement systems to ensure adherence to ethical guidelines



Peer Consultation

Discuss ethical dilemmas with colleagues for different perspectives



Key Takeaways

1 Ethical Foundation

Circular 230 and AICPA standards form the core of tax practice ethics

3 Integrity First

Maintain highest levels of integrity and professionalism in all interactions

2 Evolving Standards

New SSTS structure addresses modern tax practice challenges

4 Continuous Improvement

Regularly review and update ethical practices to stay compliant

Questions and Contact Information

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