CENTER FOR TAXPAYER RIGHTS

2025 Filing Season Mystery Shopping Visits

16 March 2026

A Report on the Internal Revenue Service Return Preparer Strategy

The Center for Taxpayer Rights is a nonpartisan, nonprofit organization dedicated to furthering taxpayers' awareness of and access to taxpayer rights and deepening their understanding of the role taxation plays in achieving the common good.

We accomplish our mission through individual and systemic advocacy. By providing free legal assistance to US low income taxpayers and technical support to low income taxpayer clinics in the United States and internationally, we help ensure tax administrations are fair and just. By conducting outreach and education to low income taxpayers, including those who speak English as a second language, we help ensure taxpayers understand their rights and responsibilities. We advocate for systemic change by connecting with national and international policymakers, advocates, and academics on issues impacting taxation and taxpayer rights; filing amicus briefs and participating in high-impact litigation in important tax cases; and promoting transparency through freedom of information act requests and other research.

Through these and other initiatives, we help ensure tax systems promote and support the economic inclusion and wellbeing of all.

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The authors extend their deep gratitude to our Mystery Shopping partners and their testers.
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This project was made possible by a generous grant from
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On Jan 21, 2026, just as the 2026 filing season was poised to start, federal magistrate judge Edwin G. Torres of the Southern District of Florida recommended that a non-credentialed return preparer for over 20 years, be

> ". . . permanently enjoined, pursuant to Internal Revenue Code §§ 7402, 7407, and 7408, from acting as a federal tax return preparer and preparing or filing federal tax returns, amended tax returns, or any other federal tax documents or forms for any person or entity other than himself; assisting in, advising, or directing the preparation or filing of federal tax returns, amended returns, or any other federal tax documents or forms for any person or entity other than himself; investing in, providing capital or loans to, or receiving fees or remuneration from a tax return preparation business; and operating, managing, working in, controlling, licensing, consulting with, or franchising a tax return preparation business." (U.S. v Saint-Hilaire, No. 24-20754-CIV (S.D.Fla) (1/21/26) at 27.)

The preparer was already subject to a preliminary injunction, but he continued to prepare and file returns under Preparer Tax Identification Numbers (PTINs) that belonged to other individuals. Moreover, on the returns he prepared, he falsely claimed unreimbursed employee business expenses, fuel tax credits, residential energy credits, and health savings account deductions.

The activities exposed in this litigation are all too familiar to advocates and representatives of low and middle income taxpayers. Because anyone can hold themselves out as a commercial return preparer in most states, taxpayers are often at the mercy of persons whose behavior as a preparer ranges from incompetency to unscrupulous to downright fraudulent.

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Executive Summary

In 2024, the Center for Taxpayer Rights undertook to learn about the IRS's "Return Preparer Strategy" as well as the actual impact of non-credentialed return preparers on taxpayers, especially lower income ones.

In this first report of our research, we report on our 2025 filing season mystery shopping visits, as well as some findings from our 2024 nationwide survey of low income taxpayers regarding their return filing behavior and use of return preparers. We also describe our 2025 filing season DC Metro consumer education campaign.

The majority of for-fee return preparers registered with the IRS are "non-credentialed."

For Fiscal Year (FY) 2024, 56.8% of electronically filed individual income tax returns were filed by practitioners, who the IRS can identify because the Internal Revenue Code requires persons who prepare a return for a fee to sign that return and furnish a Preparer Tax Identification Number (PTIN) on that return. About 56 % of the over 684,000 preparers registered with the IRS at the beginning of Calendar Year 2026 were non-credentialed, meaning they were not attorneys, Certified Public Accountants, Enrolled Agents or Actuaries, or participants in the IRS voluntary Annual Filing Season Program. These figures likely understate the number of non-credentialed preparers, because some preparers, known as "ghost preparers," do not sign returns. Non-credentialed and ghost preparers have a significant compliance impact on low income taxpayers. IRS data show that returns prepared by non-credentialed return preparers account for over 92% of the dollar adjustments in Earned Income Tax Credit (EITC) audits for Tax Year 2020, totaling over $515 million.

The IRS assesses few penalties against negligent or unscrupulous preparers and collects less than 20% of the preparer penalties it assesses.

The Internal Revenue Code contains numerous penalties for negligent or fraudulent return preparation, including criminal sanctions. Despite these authorities, the number of IRS penalties assessed on credentialed preparers in any one tax year between 2018 and 2021 ranged from 1 to 50, whereas the penalties assessed on non-credentialed preparers ranged from 10 to 608. Over that same period, non-credentialed preparers accounted for 93% of the penalties assessed and 89% of the dollar amount of assessed preparer penalties. Through January 2025, the IRS collected only 18.85% of the $12.5 million in penalties assessed against non-credentialed

preparers for these tax years. The overall percentage collected of assessed penalties was 18.45%, ranging from 2.61% to 100% for any given tax year or type of preparer.

Low-income taxpayers in particular use non-credentialed preparers.

The Center conducted a nationwide survey of low income taxpayers during the 2024 filing season to better understand their experience with the IRS and return filing.

- Three-fifths of taxpayers in our nationwide survey had their most recent federal tax return prepared by someone other than themselves, with one-third reporting they used a paid return preparer other than an attorney, accountant, or Enrolled Agent.
- Asian, non-English speaking, non-college educated, unemployed and the least affluent taxpayers reported elevated levels of third-party return preparation, as did those residing in the Northeast and Midwest.
- Two-thirds of taxpayers who used a professional preparer did so because they were not comfortable preparing the return themselves, while one-quarter were hoping to maximize the size of their refund
- More than three-fourths of surveyed taxpayers were confident the federal tax return they filed was correct, while only three-fifths of these taxpayers agreed that they had a good understanding of what the IRS expected, and that they felt confident when doing their taxes.

2025 Filing Season Mystery Shopping Visits to Non-Credentialed Preparers found they did not understand basic aspects of filing status, refundable and other credit requirements, cash income reporting, and deductible business and home office expense rules.

During the 2025 Filing Season, the Center for Taxpayer Rights conducted a mystery shopping test in six diverse geographic regions to assess the accuracy of return preparation by uncredentialed preparers. To conduct the shopping visits, we contracted with six partners to test three scenarios at three separate sites in their geographic area. The partners included Low Income Taxpayer Clinics (LITCs) and nonprofits in Alabama, Arizona, New Jersey, North Carolina, Oregon, and Texas.

The three scenarios were developed to test issues that are the subject of high audit rates or high noncompliance. Two of the scenarios involved family status issues – qualifying child, qualifying relative, filing status including head of household status, and Earned Income Tax Credit and Child Tax Credit claims. The third scenario involved sole proprietorship income, including cash payments, expense documentation, and the home office deduction.

- The testers conducted 53 shopping visits, primarily to small, independent preparers (only one tester went to a chain preparation site).
- For the 53 test visits, estimated or actual return preparation fees ranged from $60 to $800.
- In 25 test visits, the tester obtained a copy of the tax return; for most of the other visits, the preparer would not prepare the return unless the tester provided a Social Security card for the child.
- 21 of the 25 returns obtained included the preparer's required PTIN.
- Only 15 of the copies provided to the testers included the Form 8867, Due Diligence Checklist.

Scenario 1: Preparers incorrectly computed filing status, child tax credit, and tax refund amount.

Scenario 1 involved never-married parents living together in the same household with their two biological children. Both parents are employed and contribute all their income to the maintenance of the household. However, the tester makes significantly less than the other parent. The tester wants to claim only one of their children on their return, because the other parent is claiming the other child.

Of the 18 tests, 11 returns were actually prepared. The results for those eleven returns are as follows:

- 9 returns (82%) requested an incorrect refund amount, with refunds ranging from $2,330 to $11,996. Two returns understated the taxpayer's refund (including one return that failed to claim $4,213 for the EITC). Seven returns overstated the refund amount. Only two returns were filed correctly.
- 9 returns claimed Head of Household status, which was incorrect because the tester did not contribute more than half the cost of maintaining the household.
- 9 returns reported an incorrect amount for the Child Tax Credit, primarily because of incorrect taxable income attributable to the incorrect Head of Household standard deduction.

- 3 returns reported the incorrect number of qualifying child (2 children) despite the tester saying they only wanted to claim one. These returns resulted in incorrect amounts for the EITC and Additional Child Tax Credit, setting up a potential audit for duplicate claims for the children.
- 3 returns did not include the Preparer's name or PTIN on the copies provided to the taxpayer.

Scenario 2: All returns incorrectly claimed a qualifying child instead of qualifying relative, claimed incorrect refundable credits, and all returns claimed an incorrect refund amount.

Scenario 2 involved a household of two adults and one young child. One adult is the biological parent of the child; the tester is the non-parent who supports the household. The parent of the toddler child does not work.

Of the 17 tests, testers were only able to obtain 6 returns. The low number of returns obtained was the result of testers' discomfort providing a child's social security number/card to preparers and preparers' requirements for Social Security cards before commencing preparation. The results for those 6 returns are as follows:

- All 6 returns incorrectly did not claim any qualifying relatives.
- One return claimed Married Filing Jointly status, despite the tester repeatedly referring to the parent as "her boyfriend." This return claimed 1 qualifying child, $4,213 for the EITC, and $1,700 for the Additional Child Tax Credit.
- All returns claimed the incorrect refund amount, with 5 underclaiming the refund by failing to claim the Other Dependent Credit, and 1 overclaiming by over $5,600.

Scenario 3: All returns incorrectly reported sole proprietorship income, attributable in part to excessive home office and business deductions and not reporting cash income.

Scenario 3 involved a single person operating a sole proprietorship out of their home, in addition to W-2 income. Tester had one 1099-K reporting $5,013 in Venmo sales for their sole proprietorship and also had $3,000 in cash sales.

Of the 18 testing visits, testers obtained 8 returns. The results for those 8 returns are as follows:

- 5 returns incorrectly claimed expenses attributable to the home office, ranging from $2,400 to $9,600.
- 3 returns did not report cash income.
- 1 return included a fictitious business deduction for employees' wages in the amount of $4,000.
- 1 return included an excessive business deduction for mileage in the amount of $8,040 (where taxpayer only had business income in the amount of $8,013).
- All returns reported less Schedule C income than the correct amount of $6,733.
- The returns' Schedule C income ranged from a loss of $3,828 to income of $5,865.

Concluding Observations

With respect to the two scenarios addressing family status and family-related tax credits, the specific requirements of Form 8867, Due Diligence Checklist, which are meant to ensure the paid preparer asks the right questions in order to determine eligibility for filing status and certain tax credits, proved largely ineffective. The preparers our testers visited routinely failed to ask the relevant questions pertaining to household composition and income. Moreover, even where preparers asked relevant questions, their understanding or application of the law was incorrect. That is, assiduous compliance with the Form 8867 checklist did not seem to impact competence or accuracy.

The most problematic area in our testing involved self-employed (sole proprietor/Schedule C) returns. Underreporting of cash income, estimating or completely fabricating deductions, and confusion about the deductibility of expenses for business use of the home resulted in wildly different results on the returns, with refunds ranging from $1,444 to $7,690.

IRS responses to our Freedom of Information Act (FOIA) requests disclose that the agency does not track the number of return preparer misconduct complaints (Form 14517A) it receives so it has no sense of the scope of harm to taxpayers as a result of preparer actions, including stolen refunds. While the IRS has identified 87,000 "high risk return preparers" since 2005, and those preparers are disproportionately involved in improper claims for the EITC and other refundable credits, it rarely assesses preparer penalties and even more rarely collects on those penalties.

Recommendations

We make six recommendations to address the concerns we identified through our research, survey, and mystery shopping visits.

- Congress should authorize the IRS to establish a program to register and require minimum competency of federal income tax return preparers.
- IRS should mount a comprehensive nationwide consumer education campaign to help taxpayers identify competent preparers and protect themselves against incompetent or unscrupulous ones.
- IRS should reinstate and expand Direct File.
- IRS should track and publish the number of complaints of return preparer misconduct received, disallowed, and accepted by the IRS for each calendar or tax Year.
- IRS should publish and regularly update the data relating to assessment and collection of civil and criminal return preparer penalties and injunctions, by type of preparer.
- IRS should prioritize the collection of civil preparer penalties it assesses.

A final note: Some have cast establishing a scheme of registration, testing, and continuing education for uncredentialed return preparers as anti-small business. But the results of our mystery shopping clearly demonstrate that many small and micro-businesses are actively harmed by the failure to ensure competent return preparation. The preparer's administrative burden of demonstrating suitability and attending continuing education programs is a small price to pay for protecting hundreds if not thousands of small businesses each such preparer touches. Further, establishing an actual credential for this category of preparers will enable many small business preparers to better distinguish themselves from and compete against unscrupulous and incompetent preparers.

Introduction

In 2002, then-National Taxpayer Advocate Nina Olson called for Congress to enact a regulatory scheme that would require uncredentialed return preparers to register with the Internal Revenue Service, take an examination to test their understanding of basic tax law and return preparation, and meet annual continuing education (CE) requirements including new developments and ethics.[1] Over the years, various members of Congress have introduced versions of this proposal, but to date no such proposal has passed both houses of Congress.[2] In 2010 to 2011, the IRS took it upon itself to implement a program requiring uncredentialed preparers to register, obtain a Preparer Tax Identification Number (PTIN) and meet annual CE requirements. This program was contested in court, and in *Loving v. IRS*[3] the court found the IRS did not have the authority to implement such a regulatory scheme without congressional authorization.

As all this is going on, the Internal Revenue Code has become the major provider of family assistance in the federal government, through provisions including the Child Tax Credit, the Earned Income Credit, the American Opportunity Tax Credit, the Premium Tax Credit, the Child and Dependent Care Credit, and many others. In Tax Year (TY) 2022 over 24 million low income taxpayers claimed the EITC, totaling over $60 billion dollars.[4]

The requirement for low income taxpayers to file returns in order to receive the benefit of refundable tax credits provides an opportunity for unscrupulous preparers to take advantage of

1 Throughout this report, we use the terms "uncredentialed" and "non-credentialed" interchangeably, to indicate a return preparer who prepares returns for a fee and is not an attorney, a certified public accountant, an Enrolled Agent, or a participant in the IRS' Annual Filing Season Program (AFSP).

2 Most recently the Senate Finance Committee introduced the bipartisan Taxpayer Assistance and Service Act (TAS Act), S. 3931, 119th Cong. (2025). Section 504 of the Act authorized the Secretary to administer a program to issue PTINs and also deny, revoke or suspend PTINs where the preparer has failed to meet suitability and education requirements established by the Secretary.

3 917 F.Supp. 2d 67 (D.D.C. 2013), aff'd, 742 F.3d 1013 (D.C.Cir. 2014).

4 IRS, Statistics of Income, *2022 Individual Income Tax Returns*, Pub. 1304 (Rev. 1-2025), Figure D at 26.

taxpayers' ignorance of the tax law by inflating deductions and make bogus claims, often without the taxpayers' knowledge. Sole proprietors and small businesses, including those in the gig economy, may be encouraged to inflate business deductions or omit cash or other income not reported on Forms 1099 in order to reduce self-employment tax or increase a tax refund.

On the other hand, the sheer complexity of the tax code means that well-meaning preparers who have not invested the requisite time and effort to study the tax law will make mistakes that can cost their clients dearly, not just in terms of dollars owed but also anxiety as a result of an IRS audit or collection action. Tax law complexity also creates opportunities for "creative" strategies that take advantage of the code's ambiguity or grey areas. This type of error affects taxpayers of all income levels.

In the absence of proactive regulation of uncredentialed return preparers, the IRS and the Department of Justice have had to adopt a reactive stance – identifying problematic or high-risk preparers after the returns have already been filed. IRS has developed filters, models, and algorithms to identify questionable refund claims; it scores returns based on risk of error; and it identifies preparers who sign off on a significant number of troubling returns. It also receives taxpayer complaints of return preparer misconduct. The IRS Criminal Investigation division receives referrals from the IRS civil functions and conducts its own investigations, including undercover visits, and the Small Business Self-Employed Division conducts preparer audits and can levy civil penalties. The Department of Justice and US Attorneys can commence prosecution against return preparers for criminal violations of the Internal Revenue Code, seeking an injunction against continued return preparation and disgorgement of proceeds.

In 2024, the Center for Taxpayer Rights, with funding from Arnold Ventures, undertook to learn about the IRS's "Return Preparer Strategy" as well as the actual impact of uncredentialed return preparers on taxpayers, especially lower income ones. Our research included the following:

- A literature review of government reports, academic articles, research studies, and other documents relating to return preparer compliance, taxpayer and preparer behavior, IRS return preparer strategy, etc.;
- Interviews with federal and state government and other officials about approaches to ensuring return preparer competency and compliance;
- Freedom of Information Act requests; and

- Four virtual Tax Chats! held during summer 2025 on topics including IRS overall return preparer strategy; the Australian Taxpayer Practitioner Board; the Center's Mystery Shopping visits; and the Oregon Board of Tax Practitioners and the District of Columbia Taxpayer Advocate, the latter discussing the DC Metro consumer education collaboration with CTR during February 2025. (Speakers, topics, slides, and other materials for the Tax Chats! are available at https://taxpayer-rights.org/return-preparer-strategy-resources/.

We have discussed aspects of the IRS; return preparer strategy in the following blog posts:

- Toward Establishing Centralized Governance for Return Preparers;[5]
- A Single Point of Intake for Return Preparer Complaints;[6]
- Return Preparer Oversight: The Australian Model;[7] ;
- IRS Return Preparer Strategy — A Tiered Approach to Preparer Treatments?;[8] and
- Recommendations for IRS's Tiered Approach to Return Preparers;[9].

In this report of our activities, we share the results of our 2025 filing season mystery shopping visits, as well as findings from our 2024 nationwide survey of low income taxpayers regarding their return filing behavior and use of return preparers. We also describe our 2025 filing season DC Metro consumer education campaign.

5 Mandi L. Matlock, Tax Notes, Procedurally Taxing 06/12/2025.

6 Mandi L. Matlock, Tax Notes, Procedurally Taxing 06/17/2025.

7 Les Book, Tax Notes, Procedurally Taxing 09/11/25.

8 Mandi L. Matlock, Tax Notes Procedurally Taxing 10/22/25.

9 Mandi L. Matlock, Tax Notes Procedurally Taxing 10/23/25.

The Preparer Landscape in the United States

According to recent IRS data, about 93% (150,267,382) of the 161,052,672 individual income tax returns filed in Fiscal Year 2024 were electronically filed.[10] Of those e-filed Form 1040 series returns, 56.8% (85,391,233) were filed by "practitioners."[11] The IRS states this category "[i]ncludes cases in which a taxpayer transmitted the return via an authorized e-file provider, who was, in most cases, also the return preparer."[12] Thus, the majority of individual taxpayers, including self-employed taxpayers, use return preparers to file their annual income tax returns. These figures do not include "ghost preparers" – individuals who prepare returns for compensation but do not provide the required signature on the returns.[13]

As of the beginning of Calendar Year 2026, the IRS issued 684,358 Preparer Tax Identification Numbers (PTINs). "Credentialed" preparers — including attorneys, CPAs, Enrolled Agents, Enrolled Actuaries, and participants in the voluntary Annual Filing Season Program — account for 299,810 (43.18%) of those PTINs. Because many preparers hold more than one credential, it is reasonable to conclude that over 384,548 PTINs are associated with uncredentialed return preparers. Again, this does not account for ghost preparers.

The Government Accountability Office (GAO) recently released a report examining the IRS's ability to oversee return preparers. The report noted "the majority of paid preparers are not subject to IRS regulation, such as testing and educational requirements."[14]

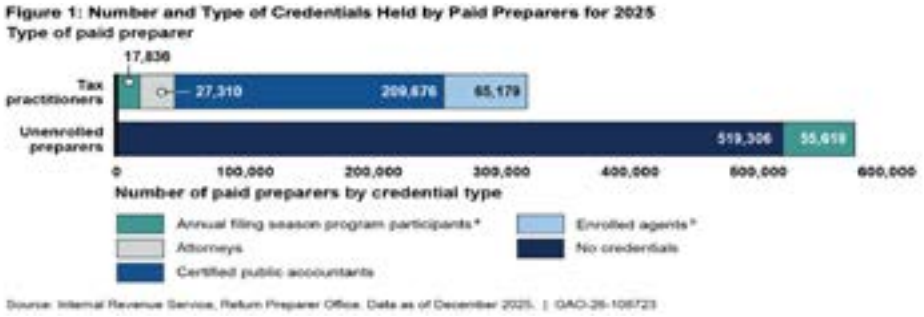
10 IRS, Fiscal Year 2024 Date Book, Table 3: *Number of Returns & Other Forms Filed, by Type and State, Fiscal Year 2024*.

11 *Id.*, Table 4: *Number of Returns and Other Forms Filed Electronically, by Type and State, Fiscal Year 2024.*

12 *Id.* at note 7.

13 There is a growing category of returns prepared by "ghost preparers," that is, people who prepare a return for a fee but do not sign the return or provide their preparer tax identification number on the taxpayer's return. At the June 2023 IRS -Tax Policy Center Research Conference, Joshua King of IRS RAAS presented a paper on *Application of Network Analysis to Identify Likely Ghost Preparer Networks (unpublished).* *See also, IRS, Internal Revenue Manual 25.20.2, Ghost Preparer Treatment.*

14 GAO, *Paid Tax Return Preparers: Opportunities Remain to Improve IRS Oversight* 1, GAO-26-108723 (Feb. 24, 2026).



[Chart reprinted from GAO -26-108723]

Non-credentialed and ghost preparers have a significant compliance impact on low income taxpayers. IRS data show that returns prepared by non-credentialed return preparers account for over 92% of the dollar adjustments in Earned Income Tax Credit (EITC) audits for Tax Year 2020, totaling over $515 million.[15] A 2014 IRS study found overclaims on half of the EITC returns prepared by unaffiliated non-credentialed return preparers (*i.e.*, those not associated with tax return preparation chain), with the overclaims averaging between 33 and 40 percent.[16] GAO analysis of IRS National Research Program data for Tax Years 2009-2011 found "unenrolled paid preparers had higher error rates for refundable tax credits than other types of preparers," including VITA and TCE volunteers and taxpayers preparing their own returns.[17] Further, about 79 percent of return preparer penalties, and 76 percent of the dollar amount of return preparer penalties, assessed with respect to individual income tax returns in Calendar Year (CY) 2021 were against non-credentialed return preparers.[18]

In 2024, the IRS reported that since 2005, its Refundable Credits Return Preparer Strategy (RCRPS) program had identified 87,000 "high-risk" registered return preparers. In Tax Year 2019, preparers on this list submitted 17 million tax returns. Audit rates are higher for clients of these preparers. Clients of these preparers are disproportionately drawn from minority communities and thus these preparers raise the relative audit rate for Black taxpayers.[19]

15 IRS, *Return Preparer Office Federal Tax Return Preparer Statistics*, at https://www.irs.gov/tax-professionals/return-preparer-office-federal-tax-return-preparer-statistics (last visited 02/16.26).

16 IRS, Pub. 5162, *Compliance Estimates for the Earned Income Tax Credit Claimed on 2006-2008 Returns* 24-26 (Aug. 2014).

17 GAO, Refundable Tax Credits: Comprehensive Compliance Strategy and Expanded Use of Data Could Strengthen IRS Efforts to Address Noncompliance, GAO-16-475, 5/27/2016.

18 National Taxpayer Advocate 2022 Annual Report to Congress 134, Figure 2.8.4 (Dec. 2022).

19 IRS, RAAS-RICS Collaboration on Exam Disparity, *Research on Audit Rates by Race and Ethncity: 2024 Update*, IRS-Tax Policy Center Research Conference, June 13, 2024 at slide 4.

	All taxpayers RCRPS treated preparer?			EITC Claimants RCRPS treated preparer?		
Race/Ethnicity	Yes	No	All	Yes	No	All
Black	19%	11%	12%	26%	18%	20%
Hispanic	40%	14%	16%	39%	21%	25%
White	30%	67%	63%	25%	53%	47%
Other	11%	8%	8%	10%	8%	8%
Count of returns (M)	**17.1**	**140.8**	**157.9**	**5.8**	**20.5**	**26.3**

	All taxpayers RCRPS-identified preparer?			EITC Claimants RCRPS-identified preparer??		
Audit rates by race	Yes	No	All	Yes	No	All
Black	1.63%	0.47%	0.67%	3.05%	1.45%	1.90%
Nonblackc	0.57%	0.18%	0.22%	39%	21%	25%
Disparity ratio	2.9	2.7	3.1	2.3	2.2	2.4
Change in disparity if drop clients of identified preparers			-21%			-13%

The IRS notes that "[t]hese calculations, based on the BIFSG race/ethnicity probabilities, likely understate the share of EITC claimants who are Black, and the share of preparer clients who are Black.[20]

20 BIFSG, or Bayesian Improved First name Surname Geocoding, "assigns each taxpayer a probability of belonging to each of six race/ethnicity categories by matching taxpayers' names and addresses to race/ethnicity distributions drawn from public sources." *Id.* at slide 2.

History of Return Preparer Regulation

In 1975, when the EITC was enacted, there was no tax preparation software available on the off-the-shelf market, and e-filing for the general public was science fiction. Non-credentialed return preparers had to study forms, instructions, publications, and books, and take classes to prepare returns. But with the advent of e-filing, tax preparation software became widely available, and with the expansion of the EITC and other refundable credits for low to moderate income working families, many low income persons who previously were not required to file a tax return were pulled into the tax system to receive these credits.

To encourage larger tax preparation firms to move to e-filing, the IRS created a debt-indicator — *i.e.*, it notified the preparer or affiliated financial institution that there was an existing tax debt on the taxpayer's account that would be offset against all or part of the taxpayer's expected refund. The debt-indicator enabled tax preparation companies to safely market non-tax products such as refund-anticipation loans (RALs), which advanced a portion of the expected refund immediately to the taxpayer, at predatory high interest rates.[21] The debt-indicator also opened the door to non-tax businesses preparing returns, so they could get taxpayers to apply their expected refunds for a down payment on vehicles, rent-to-own furniture, appliances, etc.[22]

The National Taxpayer Advocate's 2002 Annual Report to Congress included a legislative recommendation proposing a comprehensive regulatory regime for tax return preparers who prepared returns for a fee and who were not attorneys, CPAs, or enrolled agents.[23] (Enrolled agents are authorized to practice before the IRS after they pass an examination, pay an annual fee, and meet the annual continuing education requirement.)

21 Specifically, the debt indicator alerts the RAL provider that the refund would be offset; the provider could then infer the loan would be at risk of not being repaid.

22 As National Taxpayer Advocate, the Center's Executive Director, Nina Olson, charged her 76 Local Taxpayer Advocates to go out into their respective communities and photograph the various storefronts offering return preparation services. These venues ranged from pawn shops to used car dealers to dog-grooming parlors to massage parlors.

23 National Taxpayer Advocate 2002 Annual Report to Congress 216-230; see also National Taxpayer Advocate 2003 Annual Report to Congress 270-301; National Taxpayer Advocate 2008 Annual Report to Congress 423-426; and National Taxpayer Advocate 2013 Annual Report to Congress 61-64. The National Taxpayer Advocate 2026 Purple Book of Legislative Recommendation continues to make the case for regulation at pages 12-15.

In April 2006, the Senate Finance Committee held a hearing on Tax Return Options for Taxpayers. Ms. Olson testified before the Committee about the need for regulation of return preparers and about the inadequacies and cross-selling problems with the Free File Alliance products.[24] The Government Accountability Office (GAO) witness testified about its "shopping" visits to a sample of unregulated return preparation sites; the findings were chilling:[25]

- In 17 of the 19 returns, preparers computed the wrong refund amount, often by thousands of dollars.
- In two cases, taxpayers would have overpaid their tax by more than $1,500.
- In five out of ten cases, preparers did not ask the required questions about the taxpayers' children and thus prepared returns improperly claiming children and the associated credit.

GAO repeated this shopping visit study in 2014 and found much the same results – 17 of the 19 returns reported the wrong tax liability.[26] The Treasury Inspector General for Tax Administration (TIGTA) conducted shopping visits in 2008 with similar results, and the National Consumer Law Center regularly conducted shopping visits regarding fees and refund anticipation loans throughout the 2000s.[27]

In 2009, IRS Commissioner Doug Shulman determined the IRS had the authority to regulate non-credentialed preparers. After an extensive series of public hearings, and a notice and public comment period, the IRS implemented the program in 2011.[28] The program, however, was immediately challenged in court, and in 2014 the Court of Appeals for the District of Columbia affirmed the lower court's ruling that the IRS lacked the statutory authority to regulate tax

24 Statement of Nina E. Olson, National Taxpayer Advocate, Senate Finance Comm. Hearing on Tax Return Options for Taxpayers (Apr. 4, 2006).

25 Government Accountability Office, Paid Tax Return Preparers: in a Limited Study, Chain Preparers Made Serious Errors (Apr. 4, 2006).

26 Government Accountability Office, Paid Tax Return Preparers: In a Limited Study, Preparers Made Significant Errors (Apr. 8, 2014).

27 As early as 2004, the Senate Finance Committee, on a bipartisan basis, passed versions of return preparer regulation. *See* Tax Administration Good Government Act, H.R. 1528, 108th Cong. § 141 (2004) (incorporating Tax Administration Good Government Act). And in 2006, the full Senate approved the legislation by unanimous consent, only to have it languish in the House of Representatives. *See, e.g.,* Telephone Excise Tax Repeal Act, S. 1321, 109th Cong. § 203 (2006) (incorporating Taxpayer Protection and Assistance Act, S. 832).

28 *See* IRS Pub. 4832, Return Preparer Review (Dec. 2009).

return preparation, concluding that "mere" return preparation was not "practice" before the IRS. See Loving v. IRS, 742 F.3d (D.C. Cir. 2014).

> Today, the return preparation field is overseen by a hodge-podge of laws, regulations, and initiatives at the federal, state, and even local level. At the IRS, the Office of Professional Responsibility oversees individuals who represent taxpayers before the IRS (attorneys, CPAs, Enrolled Agents, and participants in the IRS's Annual Filing Season Program, discussed below) but does not have jurisdiction over non-credentialed preparers. The IRS requires individuals who prepare a return for a fee to obtain a Preparer Tax Identification Number (PTIN); the Internal Revenue Code (IRC) requires these preparers to sign any return they prepare for compensation and provide the taxpayer with a copy of that return, or be subject to penalties.[29] The IRC contains numerous penalties for negligent return preparation, as well as criminal sanctions for fraudulent return preparation.[30] There are also due diligence requirements (and penalties) for preparation of returns claiming refundable credits.[31] Finally, the IRS Criminal Investigation function investigates fraudulent schemes involving return preparers and makes criminal referrals to the U.S. Department of Justice for prosecution, including seeking injunctions barring return preparation activity.

In response to the Loving decision, the IRS established the voluntary Annual Filing Season Program (AFSP), in which non-credentialed preparers who pass a test and complete a certain number of continuing education courses annually will be listed on a publicly available and searchable website. Unlike non-credentialed preparers, AFSP participants are authorized to represent taxpayers in audits of returns they have prepared and signed. The AFSP is run by the Return Preparer Office (RPO).

At the state level, four states currently regulate return preparation within their borders: California, Oregon, New York, and Maryland.

29 *See* IRC § 6695(a) through (f).

30 *See, e.g.*, IRC § 6694 (penalty for preparer's understatement of tax liability due to unreasonable positions or willful or reckless conduct); IRC § 7206(2) (criminal penalty for a person who "willfully aids or assists in, or procures, counsels, or advises the preparation or presentation under, or in connection with any matter arising under, the internal revenue laws, of a return, affidavit, claim, or other document, which is fraudulent or is false as to any material matter,"

31 IRC § 6695(g) (penalty for preparer's failure to meet due diligence requirements with respect to certain refundable credits).

IRS Servicewide Return Preparer Strategy

The IRS approved its Servicewide Preparer Strategy (SWPS) in 2020, in part in response to the National Taxpayer Advocate's 2018 Annual Report to Congress, in which the IRS's then-Return Preparer Strategy was identified as a most serious problem for taxpayers.[32] The Center for Taxpayer Rights obtained a copy of this strategy through a Freedom of Information Act (FOIA) request.[33] The SWPS identified six strategic goals to encourage preparer compliance:

1. Establish governance, improve leverage and centralize compliance activities;
2. Reduce opportunities for preparer misconduct and identify non-compliance;
3. Make a multi-year commitment to preparer related research;
4. Continue improvements in information technology and information sharing;
5. Coordinate Servicewide to enhance communication and coordination to ensure IRS employees are engaged and understand the overall SWPS; and
6. Communicate key messages with external partners and stakeholder groups that advance the goals of the SWPS to improve preparer conduct and access to information.[34]

In its February 2026 report, GAO reiterated its recommendation for how IRS could improve its oversight of paid preparers: *finalize the Servicewide Tax Return Preparer Strategy.* Implementation of the approved strategy was delayed in 2023 and 2024 as the IRS reorganized some of its functions. In June 2023, IRS advised GAO that "it could not implement this recommendation at this time because it was undergoing a reduction in force and reorganization." GAO notes that as of December 2025, the Strategy has not been implemented.[35]

In April 2022, the IRS prepared a SWPS Communication Plan that "outlines the IRS's intent to facilitate return preparer compliance through communication with return preparers and

32 See National Taxpayer Advocate 2018 Annual Report to Congress, Most Serious Problem: *Return Preparer Oversight: The IRS Lacks a Coordinated Approach to its Oversight of Return Preparers and Does Not Analyze the Impact of Penalties Imposed on Preparers,* 105-116 (Dec. 2018).

33 For a discussion of the Servicewide Return Preparer Strategy, see Mandi Matlock, Tax Notes Procedurally Taxing, Toward Establishing Centralized Governance for Return Preparers (June 12, 2025).

34 National Taxpayer Advocate 2022 Annual Report to Congress 140, note 55 (Dec. 2022).

35 *Supra*, note 16 at 5.

industry groups as well as taxpayers, using a variety of communication channels designed to reach these audiences where they are, such as IRS.gov, news releases, social media, filing season outreach, and paid ads (if funding is available)."[36] For filing season 2023 the IRS created two new publications, P4717, *Help your preparer get your tax return right*, and P5610, *How to Report Suspected Abusive Tax Promotion or Preparers*. It is unclear how the IRS measures the effectiveness of these communications or the impact on taxpayer knowledge and behavior.

Return Preparer Misconduct

Return preparer fraud can take many forms, but the ones impacting lower income taxpayers the most is where the preparer alters a return after the taxpayer has approved it so that the increased refund is directed to a financial account the preparer controls, or the preparer misappropriates the entire refund. IRS guidance to its employees sets out four categories of return preparer "misconduct" for which IRS will provide some relief to taxpayers:

- Category 1: Unauthorized filing.
- Category 2: Authorized filing, Altered return information and No Additional Refund Due to the Taxpayer.
- Category 3: Authorized filing, Altered return information and Taxpayer Requesting Additional Refund.
- Category 4: Misdirected Refund Only and Taxpayer Requesting Additional Refund.[37]

Taxpayers who believe a paid tax return preparer has filed or altered their tax return without consent and who need IRS to adjust their tax account must provide IRS with Forms 14157-A (Tax Return Preparer Fraud or Misconduct Affidavit) and 14157 (Return Preparer Complaint), together with required documentation. If the complaint is missing required documentation, IRS mails a Letter 5955C (Return Preparer Misconduct - Case Incomplete for Processing Request) to request the required documentation. In the absence of a sufficient timely response from the taxpayer, IRS employees are instructed to disallow the claim.

36 National Taxpayer Advocate 2022 Annual Report to Congress 137 (Dec. 2022).

37 IRM 25.24.1.1.4 (10) (10-01-2023). For a history of the IRS's resistance to providing remedies to taxpayers experiencing these types of return preparer misconduct, see National Taxpayer Advocate 2012 Annual Report to Congress, Most Serious Problem: *The IRS Harms Victims of Return Preparer Misconduct by Failing to Resolve Their Accounts Fully*, at 68; National Taxpayer Advocate 2013 Annual Report to Congress, Most Serious Problem: *The IRS Still Refuses to Issue Refunds to Victims of Return Preparer Misconduct Despite Ample Guidance Allowing the Payment of Such Refunds*, at 94; National Taxpayer Advocate Fiscal Year 2015 Objectives Report to Congress, Area of Focus: *Return Preparer Fraud: A Sad Story*, at 22; and National Taxpayer Advocate Fiscal Year 2016 Objectives Report to Congress, Area of Focus: *The IRS Agrees It Should Issue Refunds to Victims of Return Preparer Fraud, But It Has Been Slow to Develop Necessary Procedures*, at 34.

The Center for Taxpayer Rights submitted a FOIA request in November 2024 for data relating to Forms 14157-A and Letters 5955C for the Fiscal Years 2018 through 2024. We requested the number of Forms 14157-A received and the number of Letters 5955C mailed for each fiscal year. For each fiscal year, we further requested the number of Form 14157-A complaints accepted per each of the four categories of return preparer misconduct as well as the number of Form 14157-A complaints that were denied.

The IRS responded to our request December 2024, saying *"A search was conducted, and no records were located in response to your request."* The Center appealed the denial in March 2025 and the IRS Independent Office of Appeals, which handles FOIA appeals, upheld the IRS's denial, finding that the search was adequate and reasonable.

The fact that the IRS does not maintain a routine report of the number and outcomes of return preparer complaints relating to altered returns or stolen refunds indicates the low priority it places on protecting taxpayers from these harms. If the IRS does not measure the scope and nature of return preparer misconduct, particularly that affecting the most vulnerable taxpayers, it is difficult to imagine any strategy it devises to address such harm will be effective.

Assessment and Collection of Return Preparer Penalties

The Internal Revenue Code contains several penalty provisions relating to preparers and their negligence or other misconduct. In addition to these penalties the government may seek to enjoin preparers from preparation or other conduct relating to return preparation (IRC § 7407) and tax shelters/reportable transactions (IRC § 7408).

In 2024, the Center submitted a FOIA request relating to the data for total number and aggregate dollar amount assessed and collected for each of the civil penalties referenced above for Tax Years 2019 through 2024. We also asked that that data be provided based on category of preparer: attorney, certified public accountant, enrolled agent, AFSP participant, uncredentialed preparer (other than AFSP participant), and unknown. The IRS informed us it did not have data broken down by each type of credential. It recorded data by only three categories of preparer types: credentialed, non-credentialed, and unknown.

- Credentialed preparers include Attorneys, Certified Public Accountants, Enrolled Actuaries, Enrolled Retirement Plan Agents, and Enrolled agents.
- Non-credentialed preparers include Unenrolled Agents, State-Regulated Tax Preparers, and Certified Acceptance Agents.

IRC §	Type of Penalty	Description	Penalty
6694(a)	Civil	Understatement of taxpayer liability due to unreasonable positions	Greater of $1,000 for each claim or return, or 50% of income deemed to be derived from return preparation
6694(b)	Civil	Understatement of taxpayer liability due to willful or reckless conduct	Greater of $5,000 for each claim or return, or 75% of income deemed to be derived from return preparation
6695(a)	Civil	Failure to furnish copy of taxpayer tax return	$65 each failure, $33,000 maximum
6695(b)	Civil	Failure to sign return	$65 each failure; $33,000 maximum
6695(c)	Civil	Failure to furnish preparer identifying number	$65 each failure; $33,000 maximum
6695(d)	Civil	Failure to retain copy of required list of taxpayers for whom claim/return was prepared	$65 each failure; $33,000 maximum
6695(e)	Civil	Failure to file correct information returns	$65 each failure; $33,000 maximum
6695(f)	Civil	Unauthorized negotiation of check	$665 each check; no maximum limit
6695(g)	Civil	Failure to be diligent in determining eligibility for certain tax benefits: Head of Household status; Child Tax Credit; Additional Child Tax Credit; Other Dependent Credit; Earned Income Tax Credit; American Opportunity Tax Credit.	$665 each check; no maximum limit
7206	Criminal	Willful preparation of false or fraudulent return	$100,000 ($500,000 if corporate return) or up to 3 years imprisonment or both
7207	Criminal	Knowingly providing fraudulent return to IRS	$10,000 ($50,000 if corporate return) or up to 1 years imprisonment or both

The IRS provided the following data through Tax Year 2021 (the most recent year for which data was available as of January 31, 2025).

Tax Year	Profession	IRC Code §	Count Total	Sum Net Penalty Assessed	Total Penalties Collected	Percent Penaties Collected
2018	Credentialed	6694(a)	5	$5,000	$5,000	100
2018	Non_Credentialed	6694(a)	22	$83,000	$21,611	26.03
2018	Credentialed	6694(b)	9	$84,000	$24,009	28.58
2018	Non_Credentialed	6694(b)	71	$2,012,667	$169,875	8.44
2018	Credentialed	6695	50	$7,240,579	$886,804	12.24
2018	Non_Credentialed	6695	608	$30,056,225	$8,097,272	26.94
2018	Unknown	6695	1	$57,200	$-	0
2019	Credentialed	6694(a)	2	$5,000	$1,000	20
2019	Non_Credentialed	6694(a)	10	$51,500	$7,900	15.33
2019	Credentialed	6694(b)	1	$5,000		0
2019	Non_Credentialed	6694(b)	47	$1,232,000	$32,252	2.61
2019	Credentialed	6695	13	$499,625	$251,489	50.33
2019	Non_Credentialed	6695	254	$13,609,508	$2,650,691	19.47
2020	Credentialed	6694(b)	2	$10,000	$5,100	51
2020	Non_Credentialed	6694(b)	18	$584,000	$22,148	3.79
2020	Credentialed	6695	11	$445,450	$100,326	22.52
2020	Non_Credentialed	6695	200	$18,467,534	$1,481,049	8.01
2021	Credentialed	6695	5	$23,950	$3,700	15.44
2021	Non_Credentialed	6695	20	$403,105	$54,280	13.46
	TOTAL		**1,349**	**$74,875,343.00**	**$13,814,506.00**	**18.45%**
	Total Credentialed		**98**	**$8,318,604.00**	**$1,277,428.00**	**15.36%**
	Total Non-Credentialed		**1,250**	**$66,499,539.00**	**$12,537,078.00**	**18.85%**
	Unknown		**1**	**$57,200.00**	**$ -0-**	**-0-**

The number of IRS penalties assessed on credentialed preparers in any one tax year ranged from 1 to 50, whereas the penalties assessed on non-credentialed preparers ranged from 10 to 608 in any given tax year. For Tax Years 2018 through 2021, non-credentialed preparers accounted for 93% of the penalties assessed and 89% of the dollar amount of assessed preparer penalties. Through January 2025, the IRS collected only 18.85% of the $12.5 million in penalties assessed against non-credentialed preparers for these tax years. The overall percentage collected of assessed penalties was 18.45%, ranging from 2.61% to 100% for any given tax year or type of preparer.

In 2018, the Treasury Inspector General for Tax Administration (TIGTA) issued a report, The Internal Revenue Service Lacks a Coordinated Strategy to Address Unregulated Return Preparer Misconduct.[1] One of TIGTA's recommendations was the IRS "[a]ssess the priority and assignment of preparer misconduct penalties and track the results so that changes can be made to improve collection rates." The IRS officially responded that it did not agree with recommendation. The IRS argued that its decline in resolution of return preparer civil penalties was indicative of declining Collection resources. "Tracking the priority status, inventory assignment, and the dispositions and dollars collected on the return preparer misconduct penalties would require complex and costly Information Technology work requests. The IRS does not believe that simply tracking return preparer penalties would lead to an improvement in the collection rate."

1 TIGTA, Ref. No. 2018-30-042, 07/25/2018

Nationwide Survey of Low Income Taxpayers

During the 2024 filing season, the Center for Taxpayer Rights commissioned a large-scale primary research study intended to explore how the tax system can best be used to deliver benefits to families and children.

The overall objective of this research program, funded by the Robert Wood Johnson Foundation, was to better understand the behaviors and attitudes of taxpayers, particularly lower-income taxpayers and those with families, in order to improve the welfare and health of these often-underserved Americans. Working in collaboration with Russell Research, The Center developed a survey centered around:

- Federal Tax Return Preparation
- Receipt of an IRS Letter/Notice
- Attitudes Towards The IRS
- U.S. Taxpayer Rights & Responsibilities
- Internet & Mobile Phone Usage

While the majority of today's consumer-targeted research is conducted via an online survey methodology, low-income consumers are underrepresented in the consumer panels from which online surveys typically draw respondents. Therefore, Russell Research and the Center for Taxpayer Rights developed a mail survey with respondents given the option to complete the paper survey and mail it back, or to complete it online. The study was conducted as follows:

- Russell Research and the Center for Taxpayer Rights developed a targeted sample composition of potential survey respondents, comprised of a representative sample of low-income households with children, as well as augmented lists of Black, Hispanic/Latino, and Native American taxpayers to represent demographic groups most likely to be eligible for tax credits.[38] (Appendix I provides more information about the sample composition and weighting.)

38 A representative list of 15,000 records was secured based on U.S. households that have adults between the ages of 18 and 75, have a child ages 17 or younger and live at, or below the U.S. poverty level.

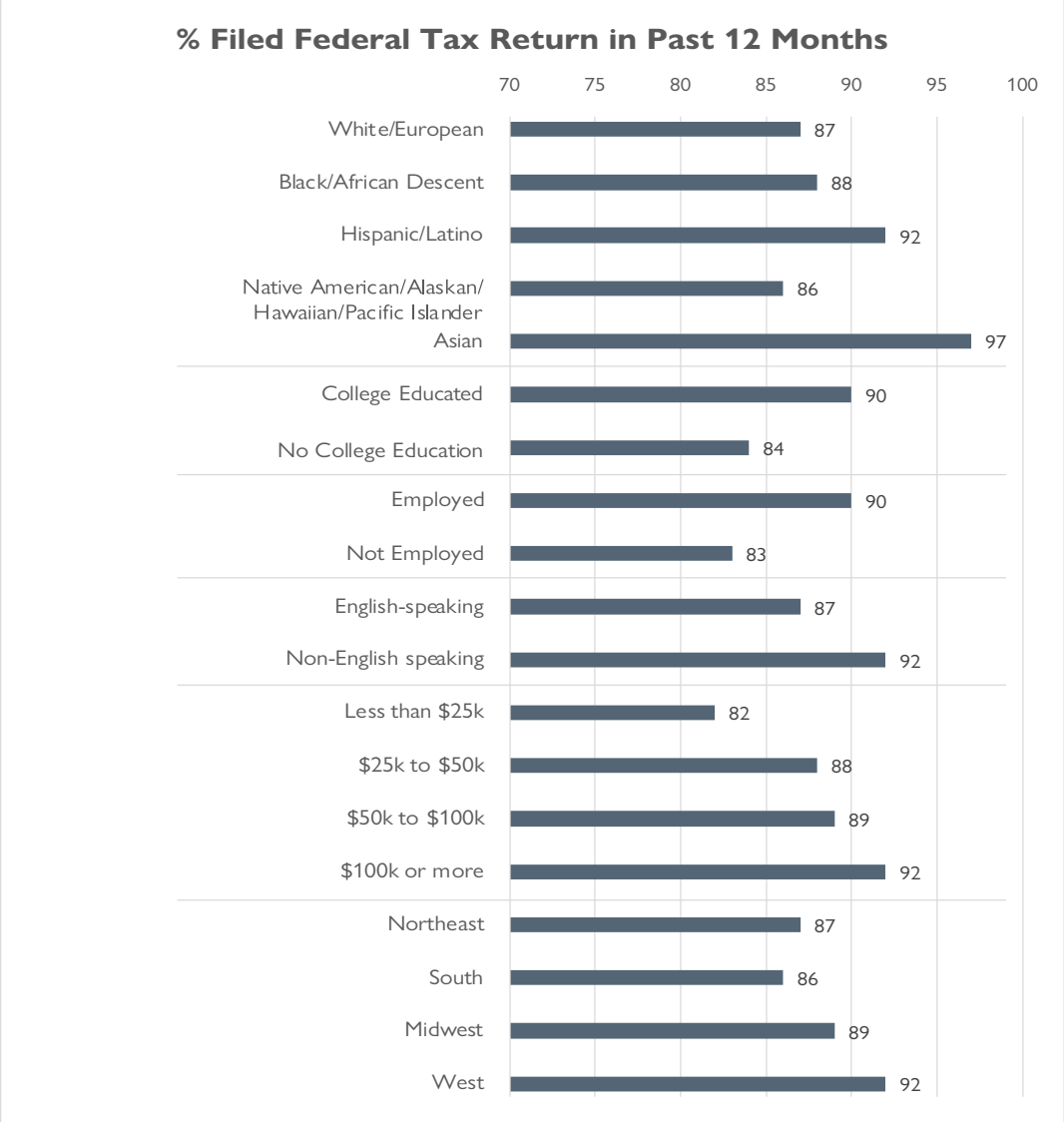
- Potential respondents received a paper survey along with a business reply mail envelope (BRM) allowing them to drop the survey into a post box and have it returned free of charge.
- In addition to the paper survey, potential respondents were provided with a survey link/ URL and QR code, along with a unique passcode, allowing them to complete the survey electronically on Russell Research's secure survey website. The survey link address, QR code and unique passcode were all printed on the front of the surveys and reminder postcard.
- Potential respondents received an initial survey packet (mailed on March 4th 2024), a reminder postcard (March 11th), and a second version of the survey packet (March 25th). To boost response rates, outgoing envelopes included a compelling "Important Tax Documents Inside" message, with the initial packet including $2 bill viewable via a windowed envelope.
- More than one-fourth (27%) of the survey packets included surveys printed in both English and Spanish – with those receiving both options identified as having Spanish surnames. All respondents had the option of completing the online survey in either English or Spanish.

A total of 1,439 surveys were collected between March 7th and April 23rd, 2024. After accounting for the 1,463 mailings that were deemed undeliverable by the USPS, the total response rate was 8.1% – with 61% collected via mail and 39% online.[39]

39 All research was carried out in compliance with all relevant legal and ethical requirements within the United States and will be carried out in compliance with ISO 20252:2019.

Return Filing and Preparation Behavior – Results from 2024 National Survey

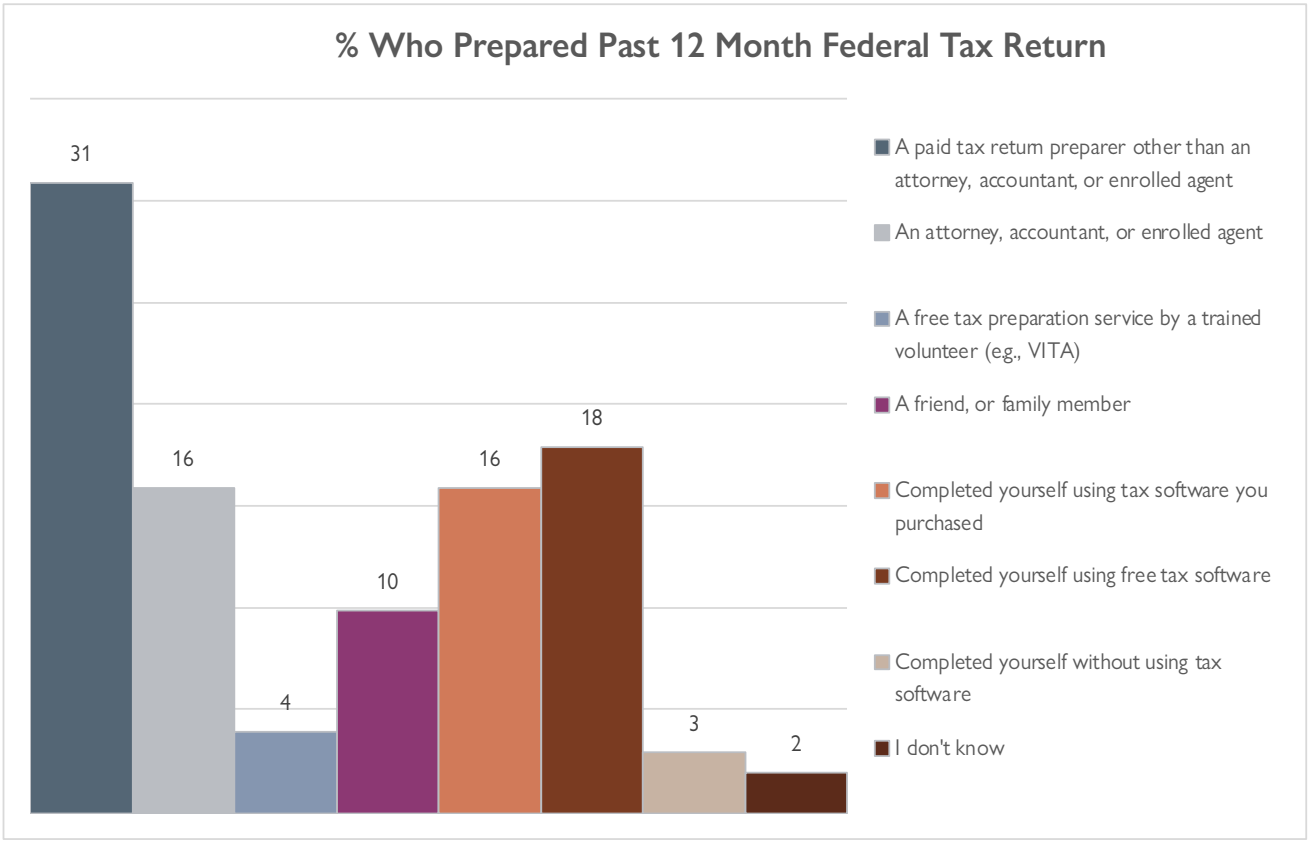
The vast majority of survey respondents (88%) indicated that they filed a federal tax return in the past year (2023), with four-fifths (or 91% of past year filers) being the individual/one of the individuals in their household most familiar with their recent federal tax filing.[40]



40 Q1: Are you the individual in your household most familiar with your Federal Income Tax Return (Form 1040 series) that you filed in the last 12 months? (n=1422).

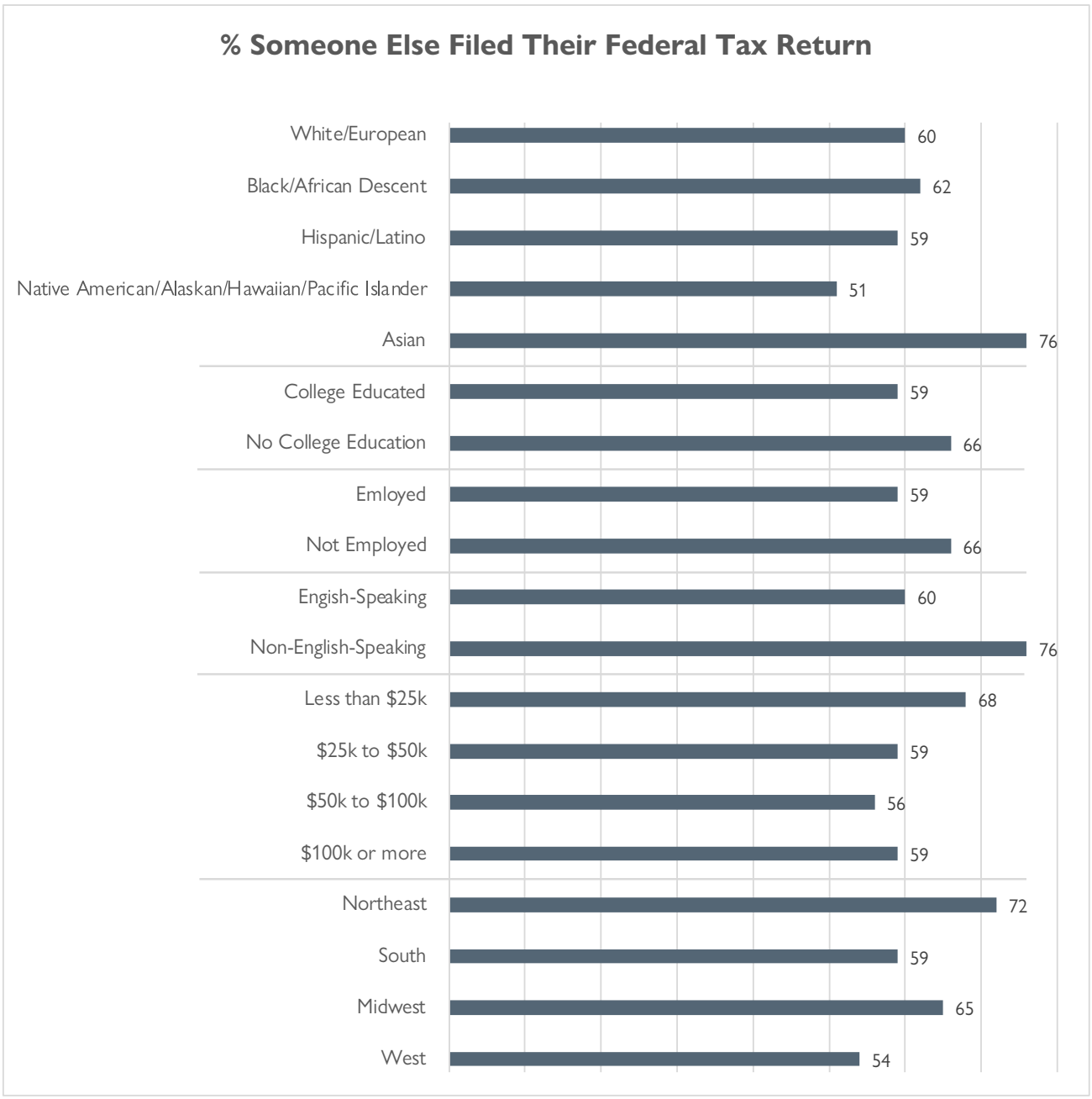
The demographic sub-groups least likely to have filed a federal series Form 1040 in the past year (2023) are the least affluent households (those with a household income of less than $25,000 annually), those without a college education, and unemployed adults.

Three-fifths of taxpayers in our nationwide survey had their most recent federal tax return prepared by someone other than themselves.

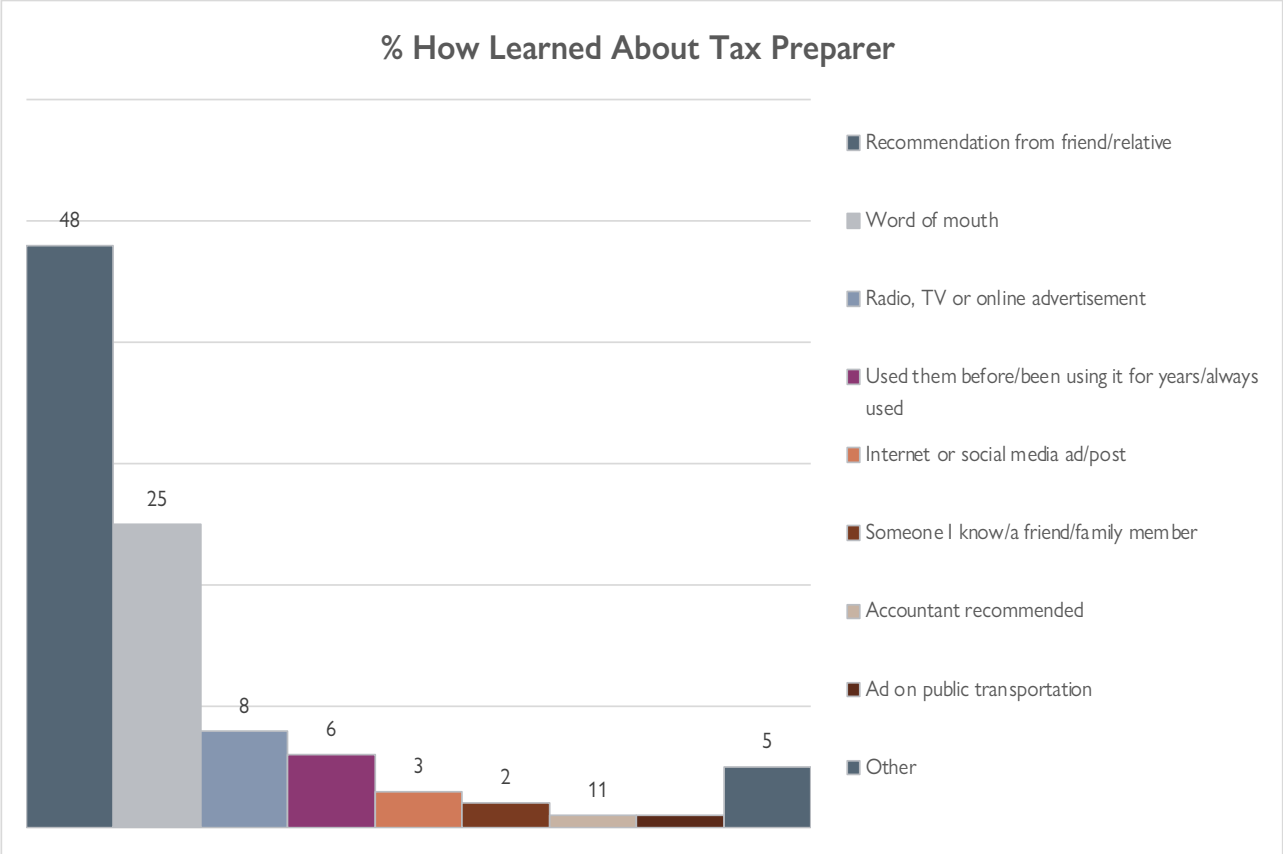


Asian, non-English speaking, non-college educated, unemployed and the least affluent taxpayers reported elevated levels of third-party return preparation, as did those residing in the Northeast and Midwest.[41] The majority of taxpayers who completed their own return did so with the help of tax software (34 of 37 percent), with about an equal split between those who relied on paid versus free software programs. Seven percent of Black and Native American/Alaskan/Hawaiian/ Pacific Islander taxpayers used a free tax preparation service with trained volunteers (e.g., VITA), versus only 2 percent of Hispanic/Latino taxpayers.

41 Question 2: If you filed a Federal Individual Income Tax Return (Form 1040 series) in the last year, who prepared your federal tax return last year? Base: Total filed a tax return in the last 12 months and answering. (n=1228).

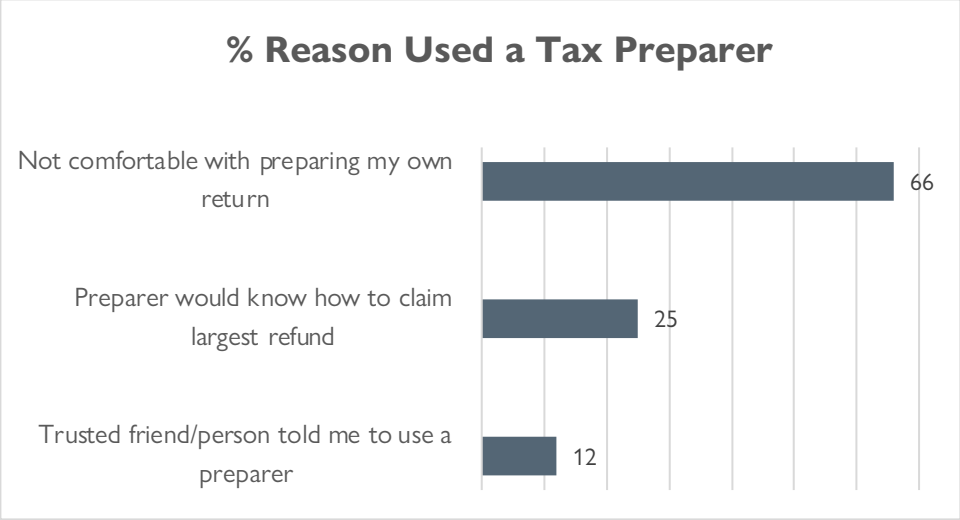

% Someone Else Filed Their Federal Tax Return
White/European
60
Black/African Descent
62
Hispanic/Latino
59
Native American/Alaskan/Hawaiian/Pacific Islander
51
Asian
76
College Educated
59
No College Education
66
Emloyed
59
Not Employed
66
Engish-Speaking
60
Non-English-Speaking
76
Less than $25k
68
$25k to $50k
59
$50k to $100k
56
$100k or more
59
Northeast
72
South
59
Midwest
65
West
54

Nearly three-fourths of taxpayers who relied on a paid tax preparer to complete their most recent federal tax return had learned about the preparer they used via word of mouth – including one-half who used a professional recommended to them by friends or family. Recommendations from a friend or family member were indicated at significantly higher levels by Hispanic/Latino and non-English speaking taxpayers.



Two-thirds of taxpayers who used a professional preparer did so because they were not comfortable preparing the return themselves, while one-quarter were hoping to maximize the size of their refund.[42]

42 Q4: If you paid someone to prepare your federal tax return last year, why did you use a preparer? Base: Total paid tax return preparer and answering (n=571) (Multiple responses allowed.).



The Internal Revenue Code requires tax return preparers to provide a completed copy of the return to the taxpayer.[43] IRC § 6695 also imposes a penalty on tax return preparers who do not furnish such a copy or fails to sign and provide their PTIN on the return. This is an important taxpayer protection, especially in the case of return preparer fraud, where the preparer alters the return after the taxpayer approves it.

According to our survey, the vast majority of taxpayers who used a paid tax preparer reported receiving an actual copy of their return (98%)[44] and confirmed that their preparer signed the tax return (82%) with 3% reporting that their preparer did not sign it and 15% being unsure.[45]

When these same taxpayers were asked who would hypothetically answer questions posed by the IRS about their tax return, 71 percent indicated that their tax preparer would be involved, 45 percent said that they themselves would be involved, and one-fifth were unsure.[46]

43 IRC 6107(a): "Any person who is a tax return preparer with respect to any return or claim for refund shall furnish a completed copy of such return or claim to the taxpayer not later than the time such return or claim is presented for such taxpayer's signature."

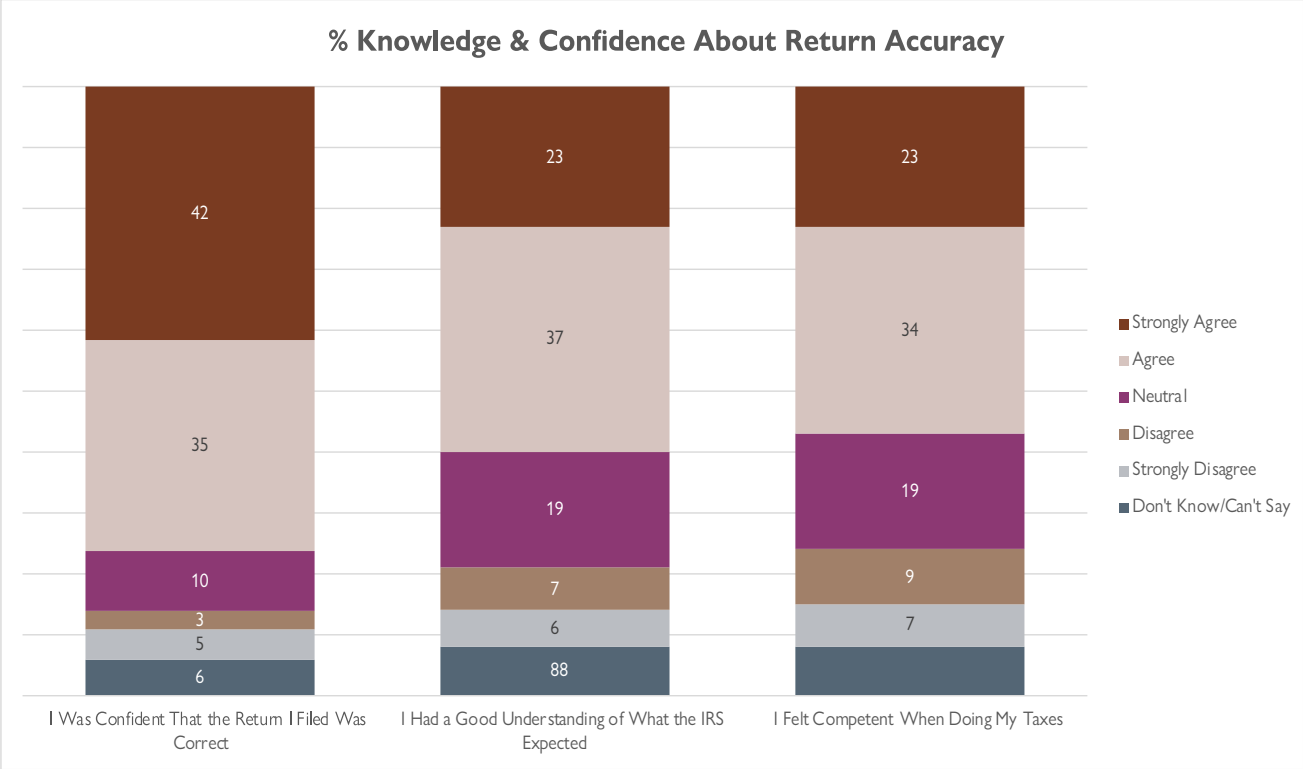
44 Q5: If you paid someone to prepare your federal tax return last year, did you receive a copy of your tax return from that person/business? (Base: Total Paid Tax Return Preparer and Answering (n=572).

45 Q.6: If you received a copy of your tax return from the person/business you paid to prepare it, was the copy of the return signed by the preparer? Base: Total Paid Tax Return Preparer and Answering (n=560).

46 Q7: if you paid someone to prepare your federal tax return last year, if the IRS has questions about your return, does your tax return preparer answer them, or do you answer questions from the IRS yourself? Base: Total Paid Tax Return Preparer and Answering (n=573).

Knowledge about Taxes and Confidence about Tax Return Accuracy

More than three-fourths of surveyed taxpayers are confident the federal tax return they filed was correct, while only three-fifths of these taxpayers agreed that they had a good understanding of what the IRS expected, and that they felt confident when doing their taxes.[47]



Agreement with all three of these statements was most elevated among taxpayers who completed their forms themselves, and significantly lower for taxpayers who relied on a friend or family member to complete their taxes.

47 Q8: Thinking about your most recently filed individual tax return, please rate your agreement or disagreement with the following statements. Base: Total Answering (bases vary).

% Agree with Each Statement Top-2-Box	Tax Prep Service (A)	Family/Friend (B)	Taxpayer Themselves (C)
Total Respondents	%	%	%
I Had a Good Understanding of What the IRS Expected	58	48	71 (AB)
I Felt Competent When Doing My Taxes	53 (B)	40	77(AB)
I Was Confident That the Return I Filed Was Correct	81(B)	70	84 (B)

Letters in parentheses indicate the noted figure is significantly higher than the other/indicated comparative sub-group at a 95% confidence level.

Taxpayers who received a letter or notice from the IRS in the past three years questioning an item on their tax return were significantly less likely to agree that they were confident the return they filed was correct. Thus, based on past experience, they appeared to have higher levels of self-doubt as to accuracy of their most recent tax return. However, this group's agreement with the other two statements was on par with the general population of taxpayers.

2025 Filing Season "Mystery Shopping" Visits to Preparers

The goal of the "mystery shopping" project was to qualitatively assess the impact of non-credentialed return preparers on tax compliance of low income individuals and self-employed persons. Although mystery shopping tests have been conducted in the previous decade, the nature of tax software has improved such that there are no barriers to or requirements for entry into the tax preparation field. Further, the scope of refundable credits for low income taxpayers and other tax law provisions benefitting the self-employed have made tax preparation an easy target for individuals seeking to take advantage of unsophisticated taxpayers. Finally, the rise of the gig/digital platform economy has required many formerly solely wage-earner taxpayers to include sole proprietorship income on their returns. All of these factors support the need to qualitatively test the accuracy of uncredentialed return preparation throughout the United States.

Accordingly, during the 2025 filing season, the Center for Taxpayer Rights conducted a mystery shopping test in six diverse geographic regions to assess the accuracy of return preparation by uncredentialed preparers. To conduct the shopping visits, we contracted with six partners to test three scenarios at three separate sites in their geographic area. The partners included Low Income Taxpayer Clinics (LITCs) and nonprofits in Alabama, Arizona, New Jersey, North Carolina, Oregon, and Texas. We chose Oregon so we could see the effect of a state regulatory scheme on the accuracy of return preparation.

The three scenarios were developed to test issues that are the subject of high audit rates or high noncompliance. Specifically, two of the scenarios involved family status issues – qualifying child, qualifying relative, filing status including head of household status, Earned Income Credit and Child Tax Credit claims. The third scenario involved sole proprietorship income, including cash payments, expense documentation, and the home office deduction.

Overall, the testers conducted 53 shopping visits, primarily to small, independent preparers (only one tester went to a chain preparation site). In 25 test visits, the tester obtained a copy of the tax return. Of those 25 return copies, only 21 included the preparer's PTIN.[48]

Cost of Return Preparation Ranged Widely and Was Calculated Differently Between Sites

At the beginning of each visit, the tester was instructed to ask how much return preparation would cost. Of those preparers who responded:

- 19 said between $150 to $350;
- 7 said they charge by forms and dependents;
- 1 said self-employed was $350 and up;
- 1 said $449;
- 1 said $450 for a W-2 return and $800 for self-employed;
- 2 said $600;
- 1 said $65 plus a senior discount;
- 1 said $60 for a mail-in return; and
- 8 said they couldn't tell until return was completed.[49]

Identity Documents Requested by Return Preparers Exceeded IRS Guidance and Presented a Barrrier to Return Preparation

IRS Form 8867, Paid Preparer's Due Diligence Checklist, requires paid preparers to ask specific questions and retain certain documentation in order to determine eligibility for various credits including the Earned Income Tax Credit, the Child Tax Credit, and the American Opportunity Tax Credit and file Form 8867 with the return. There is no specific requirement, however, that the paid preparer ask for or retain copies of identity documentation. In fact, under the heading of "Verifying ages of qualifying children" the IRS website states "We don't require you to review a birth certificate or Social Security card to verify a child's age unless there's reason to doubt the information. If you use either of these to establish eligibility, keep a copy with your records."[50]

48 Data Collection Instrument (DCI) questions 12 and 13.

49 Data Collection Instrument (DCI) question 7.

50 Contrast this approach with the requirements imposed upon volunteer preparers at Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites: "The intake process *requires* the IRS-certified volunteer/site to: .

In 44 of the 53 shopping visits, preparers asked for some form of identity documentation for the tester and/or the tester's child. Many of our testers were uncomfortable sharing their child's Social Security card with the preparer; in those instances where the tester said they did not have their child's Social Security card, the tester was unable to secure a return.

Preparers were inconsistent in what identification documents they requested from the taxpayer. Of the 53 visits:

- 6 requested the taxpayer's Social Security card;
- 14 requested the taxpayer's Social Security card and a photo ID;
- 2 requested the taxpayer's and dependent's Social Security cards;
- 17 requested the taxpayer's and dependent's Social Security cards and the taxpayer's photo ID;
- 5 requested only the taxpayer's photo ID (along with the Form W2);
- 1 requested the Form W2 only;
- 3 visits were for phone advice only;
- 5 requested no identification documentation.

During eight visits, preparers requested additional information relating to the return: 5 asked for birth certificates of the dependent; 2 requested medical or school records, and 1 requested the Social Security card for the roommate.

Testers were also instructed to ask, "If the IRS audits me, can I come back to you? Will you have my records?" Of those who were asked that question, the preparers' responses were generally positive:

- 30 responded "yes";
- 3 responded "no";
- 1 responded they could help but would not keep records;
- 1 responded they could help but could not represent because not an Enrolled Agent.

The "audit fees" ranged from $49 to $100. One tester explained the preparer's response as follows:

. . Ensure taxpayer has everything needed to prepare the return: *original photo ID, Social Security card, individual taxpayer identification number (ITIN) letters*, all tax documents." (Emphasis added.) IRS, Publication 5166, *VITA/TCE Volunteer Quality Site Requirements* 6 (Rev. 10-2025).

She does not do audit response and does not keep any documents. She says that very few of her returns are audited. Those that are, she will help them to draft their response. She says her customers have always been successful. (except for one who went with someone else for help with the audit response.)

As noted earlier, IRC § 6695 requires preparers to complete and file Form 8867 with the return prepared by a paid preparer if the return includes a claim for the EITC, CTC/Additional CTC/Other Dependent Credit (ODC), AOTC or Head of Household filing status. *Of the 24 copies of returns testers were able to obtain, only 15 of the returns included Form 8867 in the copies provided to the testers.*[51]

Mystery Shopping Results

The results of the mystery shopping visits are summarized below; more detailed information is presented in separate charts, included in Appendix II of this report.

Scenario 1: Preparers incorrectly computed filing status, child tax credit, and tax refund amount.

Scenario 1 involved never married parents living together in the same household with their two biological children. Both parents are employed and contribute all their income to the maintenance of the household. However, the tester makes significantly less than the other parent. The tester wants to claim only one of their children on their return, because the other parent is claiming the other child.

The scenario was designed to test whether the preparer understands unmarried parents can choose who claims the children; who qualifies for head of household filing status, and how common law marriage under Navajo Nation code is recognized under state law.

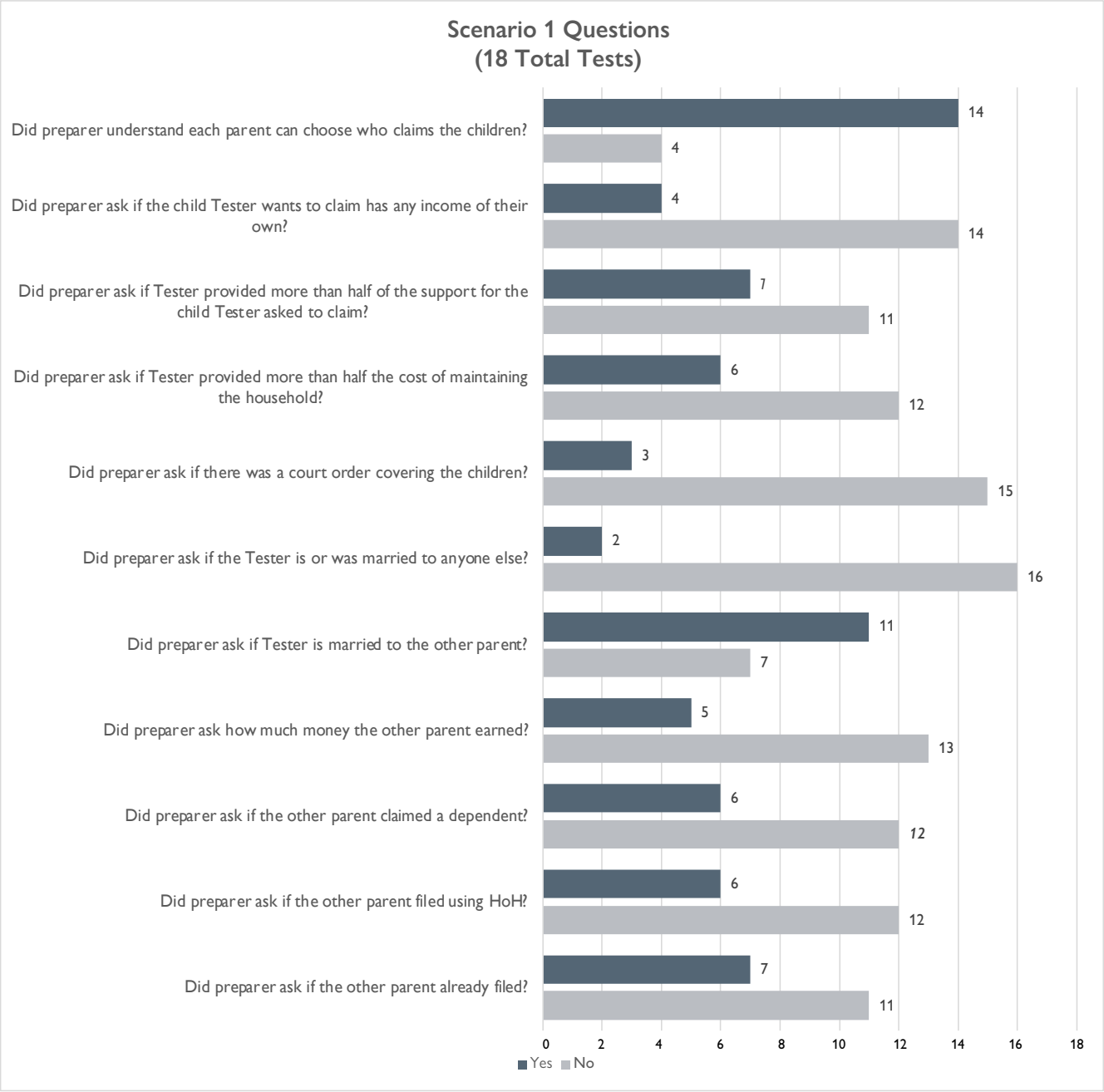
Of the 18 tests, 11 returns were actually prepared. The results for those eleven returns are as follows:

51 One site in Alabama did not provide the tester with a return copy, but did provide a "summary sheet" along with about 25 pages of disclosures regarding a Green Dot account and a copy of Form 8821, *Tax Information Authorization,* authorizing seven designees at the site to receive tax information about the return.

- 9 returns (82%) requested an incorrect refund amount, with amounts ranging from $2,330 to $11,996. Two returns understated the taxpayer's refund (including one return that failed to claim $4,213 for the EITC). Seven returns overstated the refund amount. Only two returns were filed correctly.
- 9 returns claimed Head of Household status, which was incorrect because the tester did not contribute more than half the cost of maintaining the household.
- 9 returns reported an incorrect amount for the Child Tax Credit, primarily because of incorrect taxable income attributable to the incorrect Head of Household standard deduction.
- 3 returns reported the incorrect number of qualifying child (2 children) despite the tester saying they only wanted to claim one. These returns resulted in incorrect amounts for the EITC and Additional Child Tax Credit, setting up a potential audit for duplicate claims for the children.
- 3 returns did not include the Preparer's name or PTIN on the copies provided to the taxpayer.
- Although the testers shopping sites in New Mexico were not able to obtain actual returns, none of the preparers were correct as to how a common law marriage recognized under the Navajo Nation code is treated for tax purposes. (As discussed later in this report, the IRS generally recognizes such common law marriage as being married for federal tax purposes. "A common-law marriage contracted by a Navajo tribal member that is valid under Navajo law may serve as a basis for joint federal filing purposes, whether the tribal member is currently domiciled on reservation land or Arizona state land outside of the reservation.")[52]

A detailed chart with testing results for Scenario 1 is available in Appendix II. The testers provided the following responses regarding their interactions with preparers. The responses demonstrate that preparers either did not know or did not ask key questions about the household and income arrangement between the two parents. The responses to these questions should have resulted in a correct return.

52 Memorandum from Christie J. Jacobs, Director, Indian Tribal Governments, IRS Tax Exempt Government Entities (TEGE) Division to Debra J. Chandler, Wage & Investment (SPEC) Field Operations, 3/28/2003.)


Scenario 1 Questions
(18 Total Tests)
Did preparer understand each parent can choose who claims the children?
14
4
Did preparer ask if the child Tester wants to claim has any income of their own?
4
14
Did preparer ask if Tester provided more than half of the support for the child Tester asked to claim?
7
11
Did preparer ask if Tester provided more than half the cost of maintaining the household?
6
12
Did preparer ask if there was a court order covering the children?
3
15
Did preparer ask if the Tester is or was married to anyone else?
2
16
Did preparer ask if Tester is married to the other parent?
11
7
Did preparer ask how much money the other parent earned?
5
13
Did preparer ask if the other parent claimed a dependent?
6
12
Did preparer ask if the other parent filed using HoH?
6
12
Did preparer ask if the other parent already filed?
7
11
0 2 4 6 8 10 12 14 16 18
Yes No

The testers described some of their experiences obtaining returns under this scenario.

At first, preparer was good at wanting proof of my dependent. When I told her, I didn't have his SS card, she told me to make an appointment with the Social Security Administration to get a new card. She also asked to see a picture of the child to confirm his existence. My total appointment time was about 30 minutes. She asked if my child was biologically mine and I told her yes. She asked what my occupation was and I told her that I was a cook for (employer). She was very sweet but as she was doing my return, she was on the phone with various family members. She did not give out any of my personal information. She did the return and explained various things. She started with telling me that she would need to file me as single instead of Head of Household but after seeing how filing Single would affect the amount of refund I would be getting, she changed it to Head of Household and told me what she was doing. She said she will create a lease for me to put in my file if I get audited.

[Preparer] was less concerned about the relative income for each parent and more concerned with how bills were split up. She said, if they have receipts and/or bank statements showing each parent is paying roughly half of everything, then she did not see a problem with each claiming [a child] and [head of household] status. She said the problem would be if one parent bought all the groceries and the other parent did not have a similar amount bill that they covered.

The most frustrating location I visited, [preparer] was kind, but unfortunately not knowledgeable enough to be inputting tax info, asked ME what my filing status was after I told him my partner and I weren't married, didn't even ask about [head of household] because he himself didn't know what it was, he had me create an IP PIN, which is issued by IRS, not created by a client?? the computer gave him an error while entering in information and he called the Branch location who told him to change it to head of household even though they didn't know any other info about my living situation.

Scenario 2: All returns incorrectly claimed a qualifying child instead of qualifying relative, claimed incorrect refundable credits, and all returns claimed an incorrect refund amount.

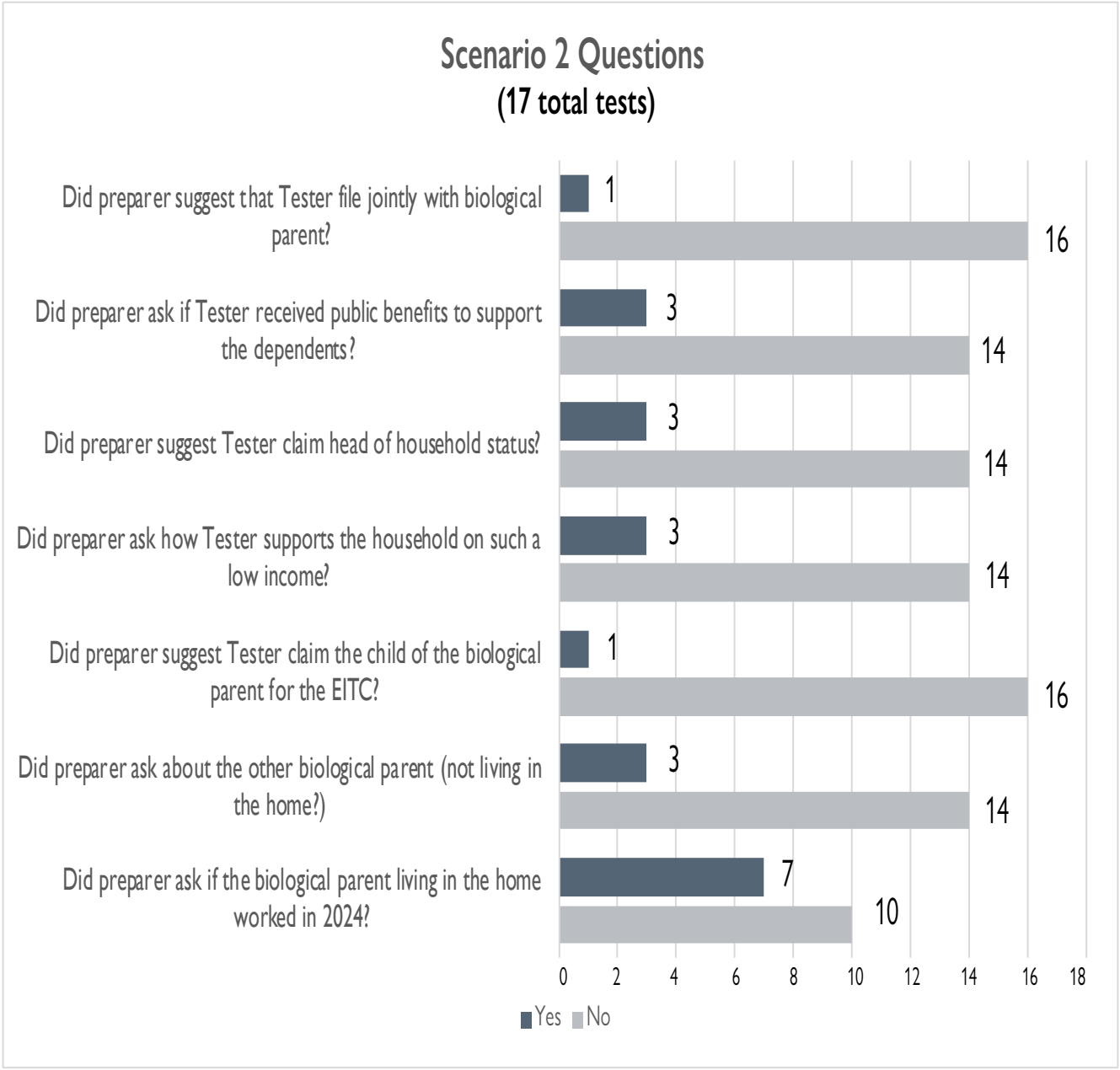
Scenario 2 involved a household of two adults and one young child. One adult is the biological parent of the child; the tester is the non-parent who supports the household. The parent of the toddler child does not work.

The scenario tested whether the preparer understands the non-biological parent cannot claim the child as a qualifying child but can claim both the child and biological parent as qualifying relatives. The tester will thus be eligible for the childless worker EITC and the nonrefundable Other Dependent Credit, but is not eligible for the Child Tax Credit, the Additional Child Tax Credit, or Head of Household Filing Status.

Of the 17 tests, testers were only able to obtain 6 returns. As discussed above, the low number of returns obtained was the result of the testers' discomfort providing a child's social security number/card to preparers and preparers' requirements for Social Security cards before commencing preparation. The results for those 6 returns are as follows:

- All 6 returns incorrectly did not claim any qualifying relatives.
- One return claimed Married filing Jointly status, despite taxpayer repeatedly referring to the parent as "her boyfriend." This return claimed 1 qualifying child, $4,213 for the EITC, and $1,700 for the Additional Child Tax Credit.
- 5 returns correctly claimed Single filing status.
- All returns claimed the incorrect refund amount, with 5 underclaiming the refund by failing to claim the Other Dependent Credit, and 1 overclaiming by over $5,600.
- All returns' copies provided to the Testers included the name and PTIN of the preparer.

The following chart presents the testers' responses regarding their interactions with preparers. A detailed chart with testing results for Scenario 2 is available in Appendix II. As with Scenario 1, preparers generally did not ask basic questions about household composition or income and thus did not prepare accurate returns. They also did not understand the eligibility rules regarding the Other Dependent Credit.


Scenario 2 Questions
(17 total tests)
Did preparer suggest that Tester file jointly with biological parent?
1
16
Did preparer ask if Tester received public benefits to support the dependents?
3
14
Did preparer suggest Tester claim head of household status?
3
14
Did preparer ask how Tester supports the household on such a low income?
3
14
Did preparer suggest Tester claim the child of the biological parent for the EITC?
1
16
Did preparer ask about the other biological parent (not living in the home?)
3
14
Did preparer ask if the biological parent living in the home worked in 2024?
7
10
0 2 4 6 8 10 12 14 16 18
Yes No

Below are some of the testers' observations about their interactions with return preparers relating to Scenario 2.

> Preparer explained, the parent can file a form giving permission for me to claim the child. I explain the child is 3 and I've had custody of the child since 6 months old. She explained that the parents can come against me for claiming a child that is not mine. For future to look into gaining guardianship or adoption. Preparer expressed that I could not claim child or the friend [parent of child] living with me that is not working.

> [Preparer] filed my return jointly but didn't ask. I told her I lived with my boyfriend and his daughter, I kept repeating boyfriend.

> Preparer suggested I look into adopting the child. Since I have been taking care of the child since birth, and the child is 3, the only way I can file the child is to adopt. She was helpful with letting me know because I have no rights to the child, I can not claim the child.

> She was adamant that I could not claim HoH [head of household] status because it was not my kid. I pushed on her a little and she said there was no way. It wasn't allowed. If I came in with an adoption order, then, ok, but without being married, and it not being my kid, I could only claim the other dependent credit. End of story. She got a little salty here, but was still kind. I liked how adamant she was and firm that she was not going to mess around with the tax rules. [Note: this preparer was based in Oregon, which has state regulation of return preparers. No return was prepared in this instance; it was a phone interview.]

Scenario 3: All returns incorrectly reported Sole Proprietorship income (loss), attributable in part to excessive home office and business deductions and not reporting cash income.

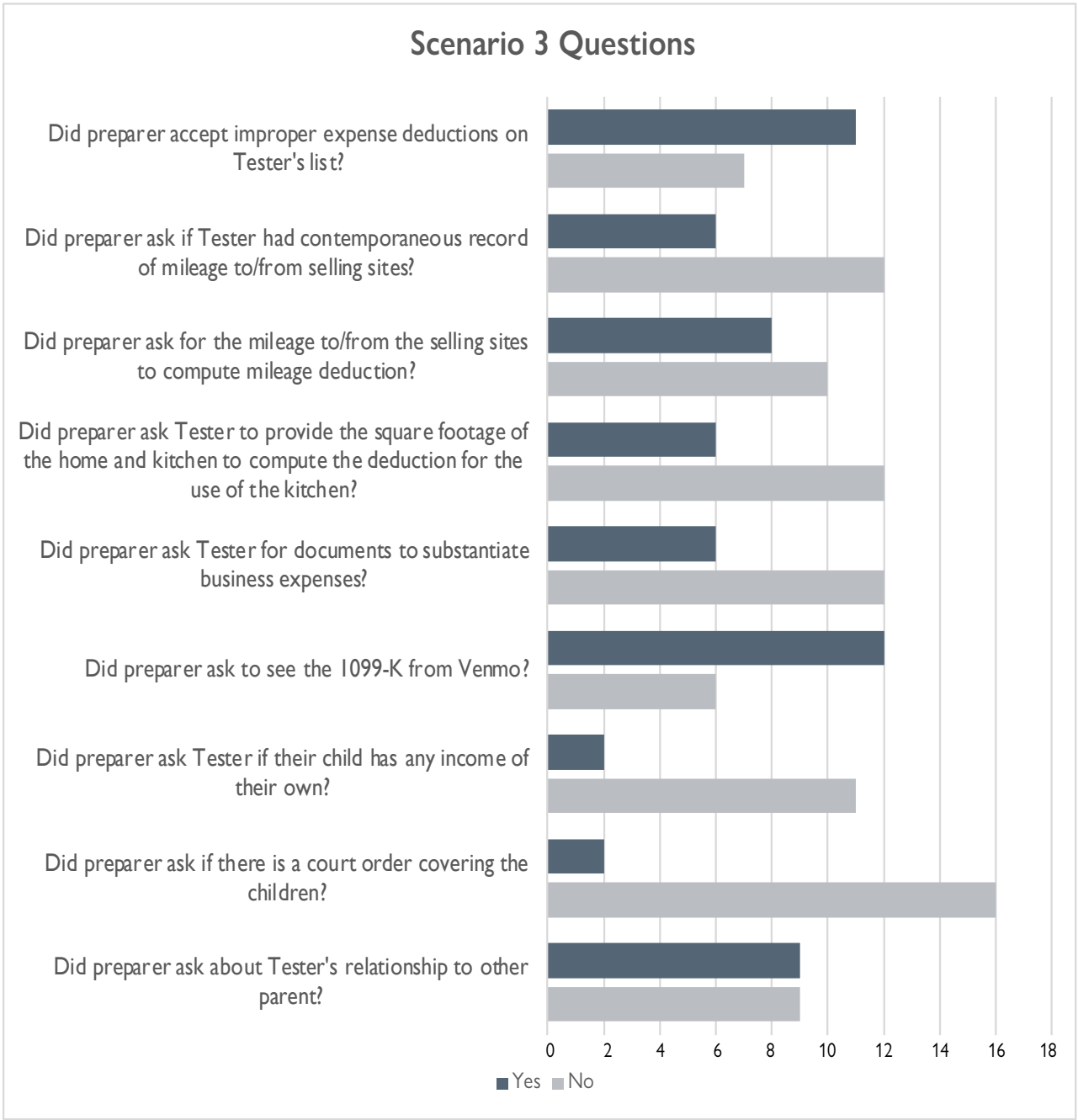
Scenario 3 involved a single person operating a sole proprietorship out of their home, in addition to W-2 income. Tester has one 1099-K reporting $5,013 in Venmo sales for their sole proprietorship and also had $3,000 in cash sales. Initially tester also claimed a biological child, but as the testing continued and we found the lack of Social Security cards for the child to be a barrier to return preparation, we eliminated that component of the test.

This scenario tested for the preparer's manipulation of tester's sole proprietorship income by inflating business expenses or not reporting cash income, as well as the preparer's understanding of the home office deduction rules. The tester's sole proprietorship involves use of their kitchen to prepare food (or bathroom to cut hair); tester has allowable business expenses including mileage, phone and supplies. The tester cannot claim home office expense for rent or utilities because the kitchen/bathroom was not solely for business use, or deduct personal items such as shoes.

Of the 18 testing visits, testers obtained 8 returns. The results for those 8 returns are as follows:

- 5 returns incorrectly claimed expenses attributable to the home office, ranging from $2,400 to $9,600.
- 3 returns did not report cash income.
- 1 return included a fictitious business deduction for employees' wages in the amount of $4,000.
- 1 return included an excessive business deduction for mileage in the amount of $8,040 (where taxpayer only had business income in the amount of $8,013).
- All returns reported less Schedule C income than the correct amount of $6,733; the returns' Schedule C income ranged from a loss of $3,828 to income of $5,865.

A detailed chart with the test results for Scenario 3 is available in Appendix II. The Testers provided the following responses regarding their interactions with preparers:


Scenario 3 Questions
Did preparer accept improper expense deductions on Tester's list?
Did preparer ask if Tester had contemporaneous record of mileage to/from selling sites?
Did preparer ask for the mileage to/from the selling sites to compute mileage deduction?
Did preparer ask Tester to provide the square footage of the home and kitchen to compute the deduction for the use of the kitchen?
Did preparer ask Tester for documents to substantiate business expenses?
Did preparer ask to see the 1099-K from Venmo?
Did preparer ask Tester if their child has any income of their own?
Did preparer ask if there is a court order covering the children?
Did preparer ask about Tester's relationship to other parent?
0
2
4
6
8
10
12
14
16
18
Yes
No

The testers reported an array of experiences with preparers in Scenario 3. In response to the question, *"What business deductions did preparer claim on return?"*, testers said:

> Although not deductible, preparer deducted full amount of my portion of rent expense as "other business property" after asking do I split the rent with my significant other.

> She made up a number for me with my miles. Gave me the run down that square footage deduction shouldn't be on my tax return due to raising a red flag to the IRS and cause an audit. Put my phone bill expense and made up miles of my car with the estimate I gave her.

> Just miles. She said I couldn't claim my business expenses as deductibles from my handwritten expenses like groceries because I made so little so she just made up highest number miles she could to "maximize" my refund.

> Preparer asked about what I did to gain the extra income but chose an incorrect principal business profession. Additionally preparer took all listed expenses to maximize refund. Preparer used rent and utilities without question or approach to using office use in home, Form 8829, or simplified method.

> Cell phone as other expense. Groceries and materials and supplies as COGS [cost of goods sold]. Not sure where the $1,500 of materials and supplies came from.

> She was "mad as a wet hen" about my attempt to claim a home office. She said potentially I could take a write off similar to a home day care situation but that would mean a percent of a percent and really not going to amount to much. I pushed her on the home office deduction--she said I could only claim a home office deduction of a space that "substantially all use" is related to the business. She asked, "are you telling me you don't prepare meals for your family in that kitchen?" She told me if I wanted a to claim a home office, I would need to find a space that could be used exclusively for my business. She said neither Oregon or the IRS are cute about this and she couldn't sign off on it and risk her license. I stopped pressing her and thanked her for helping me understand. I said I was confused because a friend said this was how he made it work. She said my friend was a "damn fool" and it would eventually come back to "burn his biscuits."

In response to the question, *"What does preparer say when tester asks, 'Is there any way to reduce that self-employment tax?'"* testers reported:

That I could just make a quick books mileage log and they will accept whatever is in that as mileage proof so the IRS doesn't audit me.

She said all she can do is add any repair cost so she estimated 2k for business expenses from 1099-k

I said "I thought these expenses would lower the taxed amount on the 1099-K" and she said it would not because it was lower than the standard deduction. I said "I think I don't understand this very well and want to look into it a little bit more, can I come back" she said "yes." I returned later to have the tax return filed.

Testers asked their preparers about *reporting cash income*:

Preparer said I don't have to report cash unless it is documented, that the IRS doesn't mind.

She said that I should add my cash, that once I say it she must put it in.

When I asked if I had to report the $3k cash that I made, preparer said I only need to report what I have proof of. If there are no invoices/receipts for cash, I don't need to report. This preparer was really nice and even said she would text me a business information sheet that includes a list of allowable expenses when she got back to her office.

She rushed me but still gave me a small breakdown by highlighting the tax return she made me do an intake interview with her. Although she was chatty I want to add in she was unprofessional being on her phone watching Facebook videos and talking to her children on the phone while working with me and other clients, seems she doesn't know a thing of client confidentiality. She told me that usually she advises clients to report their cash only when it benefits them, it's better to leave it out to get that self employment tax down.

Testing Preparers' Understanding of the Tax Treatment of Common Law Marriage

In Revenue Ruling 58-66, 1958-1 C.B. 60, the Internal Revenue Service determined the marital status for Federal income tax purposes of individuals who have entered into a common-law marriage in a state that, in the administration of Federal income tax laws, it recognizes common-law marriages. In the ruling, the IRS acknowledged that it recognizes the marital status of individuals as determined under state law. The Revenue Ruling concluded that a couple would be treated as married for purposes of Federal income tax filing status if the couple entered into a common-law marriage in a state that recognizes that relationship as a valid marriage.

The Navajo Nation retains civil jurisdiction over claims arising within the Nation by inherent sovereignty under Article II of the Navajo Treaty of 1868. To the Navajo, the Treaty is organic law. Indian tribes retain their inherent power to determine tribal membership, to regulate domestic relations among members, and to prescribe rules of inheritance for members. *Ford Motor Co., v. Kayenta Dist. Ct* .• No. SC-CV-33-07, 30 Nav. R. 225, 226 (2008)

Effective April 23, 1993, The Navajo Nation Code recognized Common-Law Marriage.[53] IRC § 23 does not define "State" to include tribal governments, and the determination of marital status is not among the "certain purposes" set forth in IRC § 7871 for which Indian Tribal Governments will be treated as States.[54] Instead, the IRS relies on the state in which a Navajo lives and whether or not the state recognizes Navajo common-law marriage. The power to regulate tribes, however, is wholly federal. State governments are excluded unless Congress specifically delegates power to them.[55] Thus the IRS position appears to conflict with the principle that tribes regulate domestic relations among their members.

In a March 28, 2003 Memorandum, the IRS Director of Indian Tribal Governments provided guidance to an IRS official about Navajo common-law marriage and filing status for federal income tax returns. Based on advice received from IRS Chief Counsel, the memorandum

53 9 N.N.C. § 4(E).

54 The IRS does not recognize the authority of the Navajo Nation Court system, despite its being the largest tribal system in the world.

55 For example, Arizona has no jurisdiction to impose a tax on the income of Navajo Indians residing on the Navajo Reservation if their income is wholly derived from reservation sources. *McClanahan v. Arizona State Tax Comm'n*, 411 U.S. 164 (1973).

concluded "[a] common-law marriage contracted by a Navajo tribal member that is valid under Navajo law may serve as a basis for joint federal filing purposes, whether the tribal member is currently domiciled on reservation land or Arizona state land outside of the reservation." This was so because Arizona state law does not govern Indian domestic relations. The memorandum also noted that "all state courts generally recognize marriages validly contracted in other jurisdictions . . . . This includes common-law marriages in most cases."[56]

New Mexico recognizes marriages entered into outside of the state that are valid under that state's laws.[57]

One of the partners conducting mystery shopping is an LITC serving the Navajo Nation, which has reservation territory in three states: Arizona, New Mexico, and Utah. The partner advised us most other preparers are not aware that common-law marriage is acceptable when filing federal and state income tax returns. We decided to test this understanding by modifying Scenario 1. As described above, that scenario involved an unmarried couple with two biological children who lived with them. For the Navajo partner's test, to match the tester's demographics, they changed the facts from biological parents to biological grandparents. Tester explained to preparers they did not know where the parents were but the grandchildren had lived with her and her common law husband for the entire year. Although the tester lived on reservation land in Arizona, she visited return preparer sites in New Mexico because they were closer.

During scenario training, the partner advised the tester that common-law marriage would be a factor to be tested. As a result, the tester did go into each site notifying the preparer that she lived with her common-law husband and two of their grandchildren.[58]

- Site A: "we normally don't file joint unless you are legally married…"
- Site B: "if you had a legal marriage paper or filed like that in the past, you can do it [file together]. But we are not doing no common law marriages, that ended in 2002…" [Note:

56 The memorandum discussed an additional scenario: "Arizona recognizes the validity of out-of-state common-law marriages, even if contracted during the parties domicile in Arizona, if the marriage is valid where contracted. The fact that the parties may have been domiciled in Arizona does not preclude them from establishing that a valid common-law marriage was contracted in another jurisdiction." Citing Vandever v. Industrial Commission of Arizona, 714 P.2d 866,870 (Ariz. App. 1985).

57 "All marriages celebrated beyond the limits of this state, which are valid according to the laws of the country wherein they were celebrated or contracted, shall be likewise valid in this state, and shall have the same force as if they had been celebrated in accordance with the laws in force in this state." New Mexico Statutes §40-1-4 (2024).

58 Tester was unable to secure returns in all three instances because each site required Social Security cards for the children.

the IRS Memorandum dated March 28, 2003 stated "…it should also be noted that no proof of marriage is required at the time of filing a return."]

- Site C did not advise about filing status.

This confusion is not limited to preparation sites in New Mexico. Recent reporting from Tax Notes shows that confusion about common law marriage is present with VITA sites and preparers serving the Navajo Nation in Arizona.[59]

The tester reported how each preparer determined her filing status and dependents, for example, what questions the preparer asked to determine if she could claim one or both the grandchildren.

- Site A immediately told the tester that they could not separate the kids; confirmed that she could file single and claim both but later indicated that "if you're claiming children who are not yours, you would need all legal papers…"
- Site B did not ask about legal documents; only asked who made the most money between the tester and her common-law husband and advised that the person who makes the most money can claim both grandchildren.
- Site C did not answer the tester's inquiry about whether she could claim one grandchild and her common-law husband could claim the other. Only that she should be prepared in the event she would be audited.

59 *See*, Lauren Loricchio, Tax Notes Today Federal, *Scarce Resources Leave Navajo Nation with Few Tax Options* (June 4, 2024).

Consumer Education Campaign

An informed and alert taxpayer population is an essential element of any effort to minimize harm by incompetent or unscrupulous return preparers. The IRS does the bare minimum in this regard – issuing occasional press releases during the filing season in drab government-speak that may or may not be picked up by media outlets. These communications cannot compete with local advertisements or word-of-mouth about preparers who get "great deals" and large refunds for taxpayers.

During the 2025 filing season the Center for Taxpayer Rights partnered with the District of Columbia Office of Tax and Revenue (DC OTR) to develop a public information campaign designed to educate the public about being a smart consumer when using a return preparer. With data provided by the District of Columbia Department of Tax and Revenue and from the IRS Data Book (including state and zip code data), we were able to identify the zip codes that had high concentrations of returns of Washington DC low income taxpayers that were prepared by preparers and involved the EITC, and also had relatively high adjustments by the DC OTR in prior tax years. We then identified the Metro stations that served those zip codes.

[cont'd on next page]

Zip Code	# DC Returns	# 2021 IRS EITC returns	$ 2021 IRS EITC amount	# 2021 IRS EITC refundable returns	$ 2021 IRS EITC refundable amount	# 2021 IRS Refund Anticipation Checks (RACs)	# 2021 IRS preparer signed returns	# 2021 IRS Preparer-signed returns < $50k AGI	% 2021 IRS preparer-signed returns < $50k AGI	# 2021 IRS EITC returns < $50k AGI	Metro Stops
20002	71,357	5,460	10,483,000	4,400	$7,885,000	6,510	13,810	5,200	37.65%	5,460	Red Line: NoMa/ Gaulludet
20011	70,501	6,630	12,779,000	5,010	$8,890,000	9,540	19,790	10,970	55.43%	6,580	Green Line: Georgia Ave/Petworth
20019	54,597	9,720	20,788,000	7,960	$16,042,000	9,210	11,960	7,549	63.12%	9,690	Blue/Silver Line: Benning Rd/Capitol Heights; Orange Line: Minnesota Ave
20020	46,082	8,660	19,699,000	7,190	$15,385,000	8,090	9,580	5,840	60.96%	8,660	Green Line: Anacostia

We contracted with the entity that leased the large posters in the Metro stations or the banners on station platforms for five stations. We leased two posters (or one poster and one banner) in each station for the month of February 2025, with two different messages about how to select return preparers and what to watch out for to protect against fraud and identity theft. Each poster had a large QR code that would direct people to a webpage at DC OTR's website with more information and resources for selecting a return preparer.

Regrettably, several of the posters, while large, were in less visible locations in the stations. Further, busy commuters rushing through station corridors may not stop to point their phones at the QR code, even if they read the short message on the poster. This may explain the low number of visits to the DC OTR website (approximately 35).

Going forward, we believe the messaging targeting the low income population we piloted in 2025 would be more effective in the form of pop-up ads on mobile phones while people are waiting for trains at the metro stops. Since they are already on their phones they may be more likely to click through to the DC OTR website for more information. Another promising approach is direct bulk mailed postcards to low income households with children in the targeted zipcodes. The postcard can not only contain the simple, graphic message on one side but also more information on the reverse along with the QR code. We plan to test these approaches in future years.

The Metro poster and banner designs are on the following page.

Be Smart at Tax Time
If you paid someone to do your taxes,
they must give you a copy of your tax return
showing their name and ID number.
It's the law!
Be Smart. Choose Your Tax Preparer Wisely.
Learn more at MyTax.DC.gov
Government of the District of Columbia
Office of the Chief Financial Officer
Office of Tax and Revenue
in partnership with
Center for Taxpayer Rights
Low Income Taxpayer Clinic Support Center
https://litesupportcenter.org

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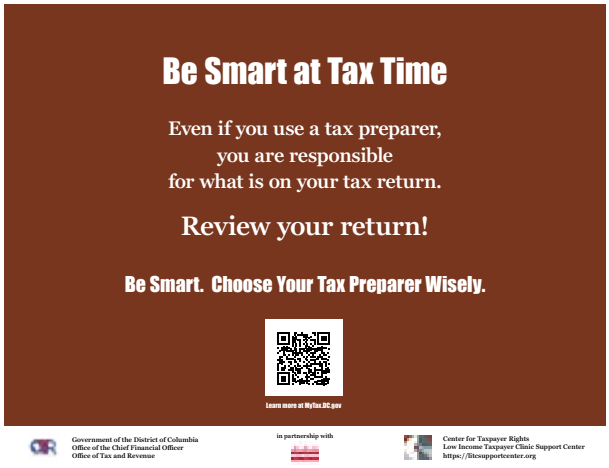
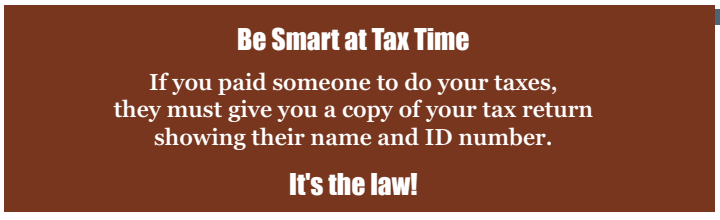
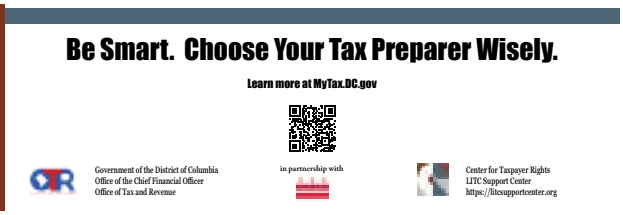
in partnership with
Center for Taxpayer Rights
Low Income Taxpayer Clinic Support Center
https://litesupportcenter.org

Be Smart at Tax Time
If your tax preparer is charging a lot of fees,
you may be paying for something you don't need!
Ask Questions!
Be Smart. Choose Your Tax Preparer Wisely.
Learn more at MyTax.DC.gov
Government of the District of Columbia
Office of the Chief Financial Officer
Office of Tax and Revenue
in partnership with
Center for Taxpayer Rights
Low Income Taxpayer Clinic Support Center
https://litesupportcenter.org


Be Smart at Tax Time
Even if you use a tax preparer,
you are responsible
for what is on your tax return.
Review your return!
Be Smart. Choose Your Tax Preparer Wisely.
Learn more at MyTax.DC.gov
Government of the District of Columbia
Office of the Chief Financial Officer
Office of Tax and Revenue
in partnership with
Center for Taxpayer Rights
Low Income Taxpayer Clinic Support Center
https://litesupportcenter.org


Be Smart at Tax Time
If you paid someone to do your taxes,
they must give you a copy of your tax return
showing their name and ID number.
It's the law!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Concluding Observations

Our inaugural mystery shopping revealed that IRS efforts to improve preparer compliance with IRC due diligence requirements have been interpreted to require production of identity documentation – including Social Security cards, ITIN letters, or birth certificates -- the IRS itself does not require preparers to obtain. On the other hand, the specific requirements of Form 8867, *Due Diligence Checklist*, which are meant to ensure the paid preparer asks the right questions in order to determine eligibility for filing status and certain tax credits, proved largely ineffective. The preparers we tested routinely failed to ask the relevant questions pertaining to household composition and income. Moreover, even where preparers asked relevant questions, their understanding or application of the law was incorrect. That is, assiduous compliance with the Form 8867 checklist did not seem to impact competence.

So long as there is no duty for unenrolled preparers to be competent and no requirement to demonstrate competence to a licensing authority, they will not attain competence. This was showcased in our results, where preparers generally obtained SSNs and evidence of the identity of the taxpayer and dependents, but once past that requirement, many preparers had poor knowledge of the underlying law.

The most problematic area in our testing involved self-employed (sole proprietor/Schedule C) returns. Underreporting of cash income, estimating or completely fabricating deductions, and confusion about the deductibility of expenses for business use of the home resulted in wildly different results on the returns, with refunds ranging from $1,444 to $7,690. IRS data has continuously shown that unincorporated business income has the highest net misreporting percentage of individual tax returns, largely because there is so much opportunity to fudge expenses and hide cash income. The raising of the threshold for Form 1099-K further increases the risk of unreported self-employment income on returns.

Overall the testing results demonstrate the clear need for a program that provides taxpayers with assurance that if they pay for return preparation of a federal income tax return, the preparer has a minimum level of competency and adheres to ethical standards as well as privacy/data security requirements.

In short, almost a quarter-century after the National Taxpayer Advocate first recommended that Congress enact regulation of return preparers, the taxpayers of the United States are still unprotected from incompetent and unscrupulous preparers. There are no barriers to anyone holding themselves out as a return preparer and folding up shop before audits occur, with taxpayers stuck with tax debts resulting from negligent or fraudulent return preparation.

As noted earlier, the IRS does not track the number of return preparer misconduct complaints it receives so it has no sense of the scope of harm to taxpayers as a result of preparer actions, including stolen refunds. While the IRS has identified 87,000 "high risk return preparers" since 2005, and those preparers are disproportionately involved in improper claims for the EITC and other refundable credits, it rarely assesses preparer penalties and even more rarely collects on those penalties.

Establishing a scheme of registration, testing, and continuing education for uncredentialed return preparers has often been cast as anti-small business. But the results of our mystery shopping clearly demonstrate that many small and micro-businesses are actively harmed by the failure to ensure return preparation. ***The preparer's administrative burden of demonstrating suitability and attending continuing education programs is a small price to pay for protecting the hundreds if not thousands of small businesses each such preparer touches.*** Further, establishing an actual credential for this category of preparers will enable small business preparers to better distinguish themselves from and compete against unscrupulous and incompetent preparers.[60]

60 *See* Kyle W. Albert et al., *Occupational Licensure and Entrepreneurs: The Case of Tax Preparers in the United States*, 72 Indus. & Lab. Rel. Rev. 1065 (2019). (Authors suggested that states with licensure requirements "have significantly higher practice ownership rates on average" than in states without such requirements. The authors supported, with both qualitative and quantitative evidence, their theories that entrepreneurs and practitioners may value the benefits of licenses (quality-signaling and legitimacy enhancement) enough to offset cost burdens.)

Recommendations

1. Congress should authorize the IRS to establish a program to register and require minimum competency of federal income tax return preparers.

Specifically, the IRS should be authorized to require any return preparer who is not a licensed attorney, certified public accountant, or enrolled agent or actuary must:

- Register with the IRS.
- Complete an initial course covering the tax rules relating to individuals, including sole proprietorships and ethical considerations, and pass an exam testing knowledge of those rules. This training and testing could be similar to that required of volunteers with the VITA and TCE sites and can be developed and administered by approved entities. *It is absurd to place stricter requirements on people volunteering to prepare returns than on people who are preparing returns for compensation.*
- Complete a set minimum number of hours of continuing education each year, including coverage of tax law changes, the most common mistakes on returns from the previous year, and ethical issues.

Upon completing these requirements the IRS should be required to list these individuals on a searchable public database. (The database would also include attorneys, CPAs, and EAs who have obtained a PTIN.) Licensed preparers would be able to refer to their credential. This credential enables taxpayers to distinguish preparers who have demonstrated competency from those who have not.

Finally, to educate taxpayers about this new credential and to assist them in being smart consumers of return preparation services, Congress should require the IRS to conduct a public information campaign, emphasizing the importance of using credentialed preparers and the risks to taxpayers if they use uncredentialed ones.

2. The IRS should mount a comprehensive nationwide consumer educate campaign to help taxpayers identify competent return preparers and protect themselves against incompetent or unscrupulous ones.

To date, the IRS's media strategy regarding selecting a return preparer has been fairly passive, focusing on scams and relying on the media to pick up and disseminate messages. The IRS's campaign should focus on simple and direct messages similar to those used in the Center for

Taxpayer Rights Metro campaign – messages that emphasize taxpayers' obligation to review their returns, and preparers' obligations to sign and provide taxpayers with copies of their returns. It should remind taxpayers every preparer must have a PTIN and provide taxpayers with a QR code or link to a website to look up their preparers' registration. These messages should be delivered in public places via posters on buses and subways, pop-up ads on phones, electronic billboards in hospitals, libraries and other public spaces, and on social media and clearly indicate it is a message from the IRS.

3. The IRS should reinstate and expand Direct File.

One other aspect must be included in this holistic approach to federal return preparation. The IRS should reinstate Direct File and continue to build it out so taxpayers with fairly simple situations can prepare their own returns, and taxpayers with more complex situations who want to prepare their own returns have a free government designed and administered avenue to do so. *Access to a free direct government e-filing tax return system is a fundamental taxpayer right.*

4. The IRS should track and publish the number of complaints of return preparer misconduct received, disallowed, and accepted by the IRS for each Calendar or Tax Year.

The IRS does not track Forms 14157-A, Tax Return Preparer Fraud or Misconduct Affidavit, that it receives in a tax year, nor does it track how many such claims are accepted or disallowed. By not recording and analyzing this data, it loses access to vital information about the scope and impact of return preparer misconduct, especially emerging issues and patterns.

5. The IRS should publish and regularly update the data relating to assessment and collection of civil and criminal return preparer penalties and injunctions, by type of preparer.

Per our FOIA request, the IRS tracks high-level penalty data for each Tax Year by credentialed/non-credentialed return preparer, number of penalties, and amount assessed and collected. The IRS should publish this data and periodically update it. Moreover, it should categorize this data by type of preparer (e.g., attorney, certified public accountant, enrolled agent, AFSP preparer, and other non-credentialed preparer). It should also provide more detail of penalty imposition and collection by statutory subsection, for example 6695(a) failure to provide a copy of return and 6695(g) failure to comply with due diligence requirements.

6. The IRS should prioritize the collection of civil preparer penalties it assesses.

Data received in response to the Center's FOIA request show that as of January 2025, the IRS had assessed $74.86 million in civil return preparer penalties under IRC §§ 6694 and 6695 for Tax Years 2018 through 2021. The IRS collected only $13.8 million on these assessed penalties, or 18.45%. The vast majority of these penalties ($66.5 million) were assessed on non-credentialed preparers, who prepare the vast majority of individual tax returns. Yet the IRS collected only 18.85% of these penalties ($12.5 million). Penalties that are merely assessed but not collected have limited deterrence value. The IRS should prioritize the collection of these penalties by creating a dedicated unit focusing on return preparer misconduct, with specially trained audit, collection, and research personnel who can quickly identify noncompliant behavior, assess penalties as appropriate, collect those that are assessed, and make referrals to the Criminal Investigation function, where appropriate. For every preparer misconduct detected and deterred, hundreds and thousands of taxpayers could be protected.

APPENDIX I: Survey sample

A representative list of 15,000 records was secured based on U.S. households that have adults between the ages of 18 and 75, have a child ages 17 or younger, and live at, or below the U.S. poverty level.

To allow for more confident analysis of key sub-groups, an additional 5,004 records that met the above criteria was also secured, though this list was limited to households with Black/African-descent (42.6%), Hispanic/Latinos (51.9%) and American Indian/Alaska Native (5.6%) adults.

Following is how the total sample frame fell out based on self-reported ethnicity/race segments and census regions classified by mailing address zip codes.

To ensure representation, the final data reported here was weighted based on the ethnicity/race proportions generated from respondents drawn from the representative list of 15,000 records, and the census region proportions for U.S. households that live at or below the U.S. poverty level.

Margin of Error: The total aggregate sample size (n = 1,439) has a margin of error of +/- 1.2% at a 95% level of confidence.

Ethnicity/Race	Total n=
White or European Descent	734
Non-White/European Descent (net)	620
-- Asian Descent	43
-- Black or African Descent	288
-- Hispanic or Latino/a/e/x Descent	229
-- Native American/Alaskan/Hawaiian/Pacific Islander Descent (subnet)	51
Other/Refused	175
U.S. Census Regions	**Total n=**
Northeast	215
South	664
Midwest	337
West	223

APPENDIX II: Mystery Shopping Tables

On the following pages we present the results of our 2025 filing season mystery shopping visits. The tables are organized by scenario and by whether Testers were able to have a return prepared or not. Some testers did not get through screening for Social Security cards for their dependents but were still able to get important information about return preparation practices. In Oregon, the tests were conducted via phone interviews of the preparer, to see what they would do in each scenario. The telephone interviews enabled the Testers to cover a wider geographic area in Oregon, not just the more urban areas.

The Center and its partners developed three scenarios for testing, and partner organizations were required to identify three tax preparation sites. Partners were instructed to avoid the major chain preparers if at all possible -- we wanted to look at the smaller noncredentialed preparers that did not have access to a corporate training structure. Generally, Testers were assigned one scenario which they tested at each of the three return preparation sites.

The Center designed a data collection form for each of the Scenarios and each Tester was required to complete that questionnaire, including an assessment of the preparation experience in their own words (many of these assessments are quoted throughout this report). They also submitted a copy of the prepared tax return, if one was provided, along with any fee receipts or other materials provided to them by the preparer. In one instance a return was prepared but the Employer Identification Number used on the Form W-2 created by the Tester flagged errors in the preparer's system; that preparer refunded the fee and did not provide a copy of the return they prepared. Nevertheless, the Tester was able to gather information about how the return was prepared.

The Center is profoundly grateful for the dedication of our partners and Testers who participated in this project. All of the partners are organizations that daily see the impact of poor tax preparation services on low income and other vulnerable populations. They were eager to join the Center in its effort to concretely and qualitatively demonstrate that harm.

Table 1: Scenario 1: Unmarried parents living together with 2 qualifying children; Tester wants to claim 1 child: Returns Prepared

State	Prep Fee	Filing Status	Qualifying Child	Taxable Income	Tax	Child Tax Credit	Earned Income Tax Credit	Addl Child Tax Credit	Refund	Other Information
Correct		**Single**	**1**	**6,300**	**633**	**633**	**4,213**	**1,367**	**7,856**	**Refund includes $2,276 in W2 w/holding**
NJ	125	HoH	2	0	0	0	6,960	2,760	11,996	No preparer name or PTIN on return
NJ	120	HoH	2	0	0	0	6,960	2,760	11,996	Yes preparer name/PTIN on return
NJ	200	HoH	2	0	0	0	6,960	2,760	11,996	No preparer name or PTIN on return
NC	150	HoH	1	0	0	0	4,213	1,700	8,189	Yes preparer name/PTIN on return
NC		HoH	1	0	0	0	4,213	1,700	8,189	Yes, preparer name/PTIN on return
NC		HoH	1	0	0	0	4,213	1,700	8,189	Yes, preparer name/PTIN on return
TX	154.50	HoH	1	0	0	0	4,212	1,700	6,543	Only included $630 in withholding … Yes, preparer name/PTIN on return
TX	169.00	HoH	1	0	0	0	0	1,700	2,330	Only included $630 in withholding; Yes, preparer name/ PTiN on return
AL	400	HoH	1	0	0	0	4,213	1,700	8,189	Yes, preparer name/PTIN on return; if return had been filed, return prep fee $350; document prep fee $50; refund transfer fee $44.95; Transmission fee $129; total fee $573.95
AL	604	S	1	6,300	633	633	4,213	1,367	7,856	Yes, preparer name/PTIN on return.
AL		S	1	6,300	633	633	4,213	1,367	7,856	No preparer name or PTIN on return

Scenario 1: Unmarried parents living together with 2 qualifying children; Tester wants to claim 1 child: No returns prepared

State	Fee	Filing Status	Qualifying Child	Taxable Income	Tax	Child Tax Credit	Earned Income Tax Credit	Addl Child Tax Credit	Refund	Other Information
Correct		**Single**	**1**	**6,300**	**633**	**633**	**4,213**	**1,367**	**7,856**	**(includes 2,276 W2 w/holding)**
TX	600									No return prepared due to cost
OR	150	HoH	1 or 2							Preparer said Tester could claim either one or two children
OR	65									Preparer asked about expenses paid by each parent; said that if expenses split equally then no problem splitting the children but if unequal that could be a problem
OR	150 ($200 to 400 if Qualifying Children)									Preparer said didn't need documents but taxpayer must be able to prove head of household status and qualifying child eligibility.

Scenario 1: Unmarried grandparents living together on Navajo Nation with 2 grandchildren; No returns prepared

Correct		MFJ	2	Common Law marriage under Navajo Nation law and recognized by state of Arizona and IRS
AZ				New Mexico preparer said the taxpayer with the highest income claims the children but needs "legal Marriage papers." Said "we are not doing common law marriage, that ended in 2002 and the states don't recognize it."
AZ	95 and up			Preparer needed social security cards for children so no preparation. Did not answer the question about common law spouse claiming one child and Tester claiming the other.
AZ	150 to 350 plus 49.95 to have prep fee taken from refund			Preparer said Tester could claim both children as single. Preparer said you can't separate the kids. Tester told preparer they lived with common law spouse. Preparer: "We normally don't file joint unless legally married and you are claiming children who are not yours, you would need all legal papers plus power of attorney and show they were in your home that year."

Scenario 2: Unrelated Tester lives with and supports non-working parent and parent's child: Returns Prepared

State	Fee	Filing Status	# Qualifying Children	# Qualifying Relatives	Taxable Income	Tax	EITC	Other Dependent Credit	Child Tax Credit	Addl Child Tax Credit	Refund	Other Information
Correct		S	0	2	380	39	277	39	0	0	1,843	Includes 1565.60 W/holding
NY	187.20	S	0	0	380	39	277	0	0	0	1,804	Yes, name/PTIN included on return
NC	150.00	S	0	0	380	39	277	0	0	0	1,803	Yes, name/PTIN included on return
NC	212.00	S	0	0	380	39	277	0	0	0	1,803	Yes, name/PTIN included on return
NC	150.00	S	0	0	380	39	277	0	0	0	1,803	Yes, name/PTIN included on return
TX	150.00	MFJ	1	0	0	0	4,213	0	0	1,700	7,479	Tester kept repeating non-working parent was her boyfriend.
AL	189.000	S	0	0	380	39	277	0	0	0	1,804	No return attached to package that include a summary sheet.

Scenario 2: Unrelated Tester lives with and supports non-working parent and parent's child: no return secured

State	Fee	Filing Status	# Qualifying Children	# Qualifying Relatives	Taxable Income	Tax	EITC	Other Dependent Credit	Child Tax Credit	Addl Child Tax Credit	Refund	Other Information
Correct		S	0	2	380	39	277	39	0	0	1843	
AL												No return prepared;EIN on W-2 did not match employer's.
AL	25										Est 1,805	No return prepared; EIN on W2 did not match employer's, but preparer gave an estimate of refund. Originally said $100 for a "quote" but when challenged by Tester, dropped fee to $25. Estimated refund appears to have not claimed any qualifying relatives or Other Dependent Credit.
NY												No return prepared because no Soc Sec cards for dependents.
TX	Est $700										Est 3,500	Preparer said could claim child as QC but not boyfried.
TX												Took info, said would call with refund info but did not.
AZ												Tester told preparer they wanted to file claiming 2 dependents; preparer said that to claim them, the dependents would have to come in to the site in person.
AZ	200 no chldren; more w children											Intake reviewed fake 2023 return claiming 2 dependents; intake said shouldn't have claimed them; suggested single filing status.
AZ	200											Wouldn't prepare return without dependents' documents.
OR	150											Preparer said both dependents are qualifying relatives and qualify for Other Dependent Credit; would file as head of household.
OR	65											Single filing status, Other Dependent Credit for child; unclear whether for unmarried partner.
OR	200-400											Asked a great deal of questions and also wanted to see supporting documents for child.

Scenario 3: Sole Proprietorship: Returns Secured

State	Gross Receipts	Schedule C profit/(loss)	SE Tax	EITC	ACTC	Filing Status	Refund	Prep Fee	Claimed Cash Income?	Questionable or Not Allowed Business Expenses	Other Information
Correct	$8,013	$6,733	$951	$4,028	$1,700	HoH/1QC	$4,785	N/A	Yes		$1,280 Bus Expenses, HoH w QC, $4,028 EITC, $1,700 ACTC, $154 income tax
NC	$5,013	$1,208	$170	$4,213	$1,612	Single/1QC	$7,431	$160	No	Claimed $2400 rent, uniform expense $125	Filed single with 1 qualifying child
NC	$8,013	$5,865	$829	$4,164	$1,700	HoH/1QC	$6,812	$370	Yes	Claimed clothes, shoes & % of rent	
NC	$8,099	$334	-0-	$4,213	$1,700	HoH/1QC	$7,690	$130	Yes	Claimed $4,000 in wages, $2,330 in repairs and maintenance (made up expenses)	
NJ	$8,013	$4,228	$597	$4,213	$1,700	HoH/1QC	$7,093	$200	Yes	Claimed $2,400 in rent/utilities; $85 for clogs	
NJ	$5,013	$3,483	$492	$4,213	$1,700	HoH/1QC	$7,353	$160	No	Cellphone $2,100	
NJ	$8,012	($3,828)	-0-	$4,213	$1,686	HoH/1QC	$7,676	$300	Yes	Claimed "other business property expenses" of $9,600	
TX	$8,013	$423	-0-			Single/ no QC	$1,444	$250	Yes	Preparer made up automobile expenses in amount of $3,685	**This tester did not claim any children in their household; only tested Schedule C expenses
TX	$5,013	($3,027)	-0-	$4,213	$1,700	HoH/1QC	$7,690	?	No	Claimed $8,040 in auto expense	

Scenario 3: Sole Proprietorship: No Returns Secured

State	Gross Receipts	Schedule C profit/ (loss)	SE Tax	Refund	Prep Fee	Questionable or Not Allowed Business Expenses	Other Information
Correct	$8,013	$6,733	$951	$4,785	N/A		$1,280 Bus Expenses, HoH w QC, $4,028 EITC, $1,700 ACTC, $154 income tax
AZ					$350 up		No return prep w/out child Soc Sec card
AZ					$449		Return was filed, e-filing rejected because W-2 EIN didn't match; preparer refused to give copy of return and refunded prep fee
AZ				$3,000 to $4,000	None given		Preparer just estimated refund; no return prepared
AL					$149 and up	Called with questions: told could deduct use of kitchen (rent and Utilities), could not deduct shoes but yes to aprons	This was a large chain/franchise preparer. Tester called after 4/15 with extension to file.
AL					No fee estimate (advice only)	Can deduct use of kitchen including rent and utilities, computer, printer, shoes. Only need to report cash if you have proof of receipts; no invoices, no need to report.	
AL					$450 for W-2, $800 for SE	Phone advice only. Could deduct cost of aprons and shoes but needed to check with someone else re deducting rent/utilities for kitchen. Need to include both 1099 and cash income.	Preparer told Tester had filed an extension. Tester said deadline was 10/15. Preparer corrected her and said deadline was 10/6 (incorrect)
OR					$65 flat fee	No home office deductions; have to claim cash.	Preparer mentioned protecting her return preparer license when Tester pushed on deducting expenses.
OR					$200 – 400 plus $100 to 200 for associated business forms	Need receipts for cash expenses – no receipts/no deductions. Must report cash income.	Preparer mentioned protecting her return preparer license when Tester pushed on deducting expenses.
TX				$3,477	$218	No need to report cash unless it is documented ("IRS doesn't mind…")	Preparer gave estimate based on software and provided estimate on sticky note
TX				$6,086	$800	No need to report cash	Return not prepared because needed child's soc sec card; preparer gave estimate on scrap of paper.

CENTER FOR TAXPAYER RIGHTS

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