Chapter 6: Ethics

Note. Corrections were made to this workbook through January of 2024. No subsequent modifications were made. For terms used in this chapter, see the **Acronyms and Abbreviations** section following the index.

For your convenience, in-text website links are also provided as short URLs. Anywhere you see **uofi.tax/xxx**, the link points to the address immediately following in brackets.

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CONFLICTS OF INTEREST

Conflicts of interest can arise at any time and are not always apparent. Relationships with others may cause a person or firm to lack objectivity in dealing with one client versus another. A practitioner's failure to be impartial to any and all engaged parties can lead to potential conflicts of interest. This does not mean a tax professional cannot provide services if the service can be provided impartially and objectively. If a potential conflict does exist, the practitioner must disclose it to the potential client.

Circular 230, §10.29, lists the following situations it deems conflicts of interest.

1. The representation of one client is directly adverse to another client.
2. There is a significant risk that the representation of one client will be limited by the practitioner's responsibilities to another client, a former client or a third person, or by the personal interest of the practitioner.

Section 10.29(b) provides that, even when a conflict exists, the practitioner may still represent the client if:

1. The practitioner reasonably believes they will be able to diligently represent each affected client competently;
2. There is no law preventing the practitioner from representing the client; and
3. Each client affected by a potential conflict of interest has been informed of the conflict and gives **written** consent to proceed, acknowledging the potential conflict of interest.

> **Note.** Circular 230, §10.29(b)(3), allows the written confirmation of a waiver of the conflict of interest to be made within a reasonable time after the informed consent, but not later than 30 days.

Section 10.29(c) requires practitioners to retain the written consents for at least 36 months from the date the affected client's representation ended. The written representations must be provided to the IRS upon request.

Discussion Scenario 1

Jack and Jill are a married couple. They have been Carrie's tax clients for 15 years. Jill comes to Carrie's office during the 2023 tax preparation season and announces she is divorcing Jack. She also lets Carrie know that Jack is not yet aware that she is going to file for divorce and that Carrie should refrain from mentioning it to him when she prepares their 2023 tax returns. Jill predicts that they will split their assets and asks Carrie for advice on which particular assets she should request in the divorce.

Carrie's continued representation of both Jill and Jack has implications under §10.29. Representation of either client would arguably be directly adverse to the other client and/or limited by Carrie's responsibilities to the other client, even for the tax advice associated with preparing their tax returns. For example, if Carrie advises them to file as married filing jointly (MFJ), each divorcing spouse is jointly and severally liable for any tax owed for that tax year. If Carrie advises them to file as married filing separately (MFS), this may result in a higher tax liability for one or both spouses.

What are some issues that would cause Carrie to consider withdrawing from the engagement?_____

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Note. Withdrawing representation may require the withdrawal of Form 2848, *Power of Attorney and Declaration of Representative.* For further details on how a tax practitioner revokes Form 2848, see IRS Pub. 947, *Practice Before the IRS and Power of Attorney.* Failure to properly revoke this form may result in continued obligations to a former client under Circular 230.

Under what circumstances can Carrie continue representing one or both spouses? _____

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What advice can Carrie give Jill on which assets to pursue during the divorce proceedings? _____

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Observation. Many states have statutes specifically prohibiting the practice of law by nonattorneys. Generally, the practice of law is defined as the giving of advice when that advice requires the use of any degree of legal knowledge or skill.

Discussion Scenario 2

Maria, EA, is the accountant for Hokey Partnership. She is also the accountant for the two partners — Homer, who owns 70% of the partnership, and Keysha, who owns 30%. Homer asks Maria if she will advise him because he is having financial difficulties. He would like to creatively refinance some of the large debts he has accumulated. He asks that she not discuss his problems with Keysha.

What are the major issues that Maria faces if she continues to represent both the partners individually as well as the partnership? _____

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What are the Circular 230 issues with this request? _____

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Is Maria obligated to disclose Homer's situation with Keysha because it could be pertinent to the success of the partnership? _____

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How would the situation be different if Homer and Keysha were not both general partners with joint and several liability?

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Is Maria absolved of her responsibilities if she has both Homer and Keysha sign a conflict-of-interest statement? Why or why not? _____

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CONFIDENTIALITY AND PRIVILEGE

There is sparse information in Circular 230 concerning practitioner/client communications. Section 10.37 states practitioners may give written advice (including by means of electronic communication) concerning federal tax matters. Such advice must adhere to the facts and relate applicable law to these facts. Circular 230 contains no requirements pertaining to the confidentiality and security of communications between practitioners and their clients. For statutory requirements in this regard, practitioners should look to IRC §7216 and the Gramm-Leach-Bliley Act (GLBA). The former contains rules regarding disclosure and use of clients' tax return data and the latter contains safeguards and privacy rules that concern storage and communication of client data. For purposes of communicating with clients, a tax practitioner must take the necessary steps to prevent client data from falling into the hands of an unauthorized party.

> **Note.** For more information on practitioners' obligations to secure client data, see the 2023 *University of Illinois Federal Tax Workbook,* Chapter 1: Written Information Security Plans and Protecting Client Data.

In addition to Circular 230, §7216, and the GLBA, there are other matters tax practitioners should consider when communicating with their clients. For example, practitioners should recognize the extent to which practitioner-client communications are privileged by law. They should also consider legal disclaimers and record retention policies.

PRIVILEGES RELATING TO TAXPAYER COMMUNICATIONS[1]

Under the Code, communications between any **federally authorized practitioner** and a taxpayer have the same common law protection of confidentiality that applies between an attorney and a taxpayer. However, this protection is limited to **tax advice** and only to the extent that the communication would be a privileged communication if it took place between a taxpayer and an attorney. Furthermore, this privileged communication protection can only be asserted for:

1. Any noncriminal tax matter before the IRS, and
2. Any noncriminal tax proceeding in federal court brought by or against the United States.

A federally authorized practitioner, for this purpose, is any individual who is authorized under federal law to practice before the IRS if such practice is subject to federal regulation under 31 USC §330. This includes attorneys, CPAs, and EAs.[2]

Tax advice refers to any advice a practitioner gives concerning a matter that is within the scope of the practitioner's authority to practice except for advice that concerns tax shelter promotion. A key point is that tax advice does not include **tax return information.** Because tax return information is intended to be disclosed to the IRS, related client-practitioner communications **are not privileged communications** subject to protection. This is the case even when the communication serves a dual purpose (e.g., tax return preparation and litigation).[3] Therefore, in practice, many client-practitioner communications are not privileged communications subject to protection.

FURNISHING INFORMATION TO THE IRS

Circular 230, §10.20, addresses a practitioner's duty to furnish information to the IRS. This provision has a "production of information" component and a "cooperation with IRS" component.

Production of Information

When the IRS properly and lawfully requests information, the practitioner:

- Must promptly submit the information to the IRS, and
- Must not interfere with IRS efforts to obtain the information, unless the practitioner has a good faith belief based upon reasonable grounds that the information is privileged.

Attorney-Client Privilege and Tax Return Preparation. Most case law indicates that communications in connection with the preparation of a tax return are not covered by the attorney-client privilege. The U.S. 9th Circuit Court of Appeals accepted the argument that communication pertinent merely to the preparation of a tax return does not involve giving or receiving legal advice.[4] Therefore, information given to the attorney by the client did not fall under the attorney-client privilege. The U.S. 8th Circuit Court of Appeals held that a tax return itself is not privileged because its purpose is disclosure to a third party (the IRS). Therefore, an expectation of confidentiality cannot exist.[5] There are contrary cases that have held that the attorney-client privilege might apply to a communication about what to claim on a return[6] or that tax return communications should be considered legal advice.[7] However, the overall weight of authority indicates that the attorney-client privilege does not apply in connection with communications regarding tax return preparation.

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1. IRC §7525.
2. Circular 230, §10.3.
3. *U.S. v. Frederick,* 182 F.3d 496 (7th Cir. 1999) and *U.S. v. BDO Seidman,* 337 F.3d 802 (7th Cir. 2003).
4. *U.S. v. Gurtner,* 474 F.2d 297 (9th Cir. 1973).
5. *U.S. v. Cote,* 456 F.2d 142 (8th Cir. 1972).
6. *U.S. v. Abrahams,* 905 F.2d 1276, 1283 (9th Cir. 1990).
7. *Colton v. U.S.,* 306 F.2d 633 (2nd Cir. 1962).

Accountant-Client Privilege. Like the attorney-client privilege, the accountant-client privilege also involves confidentiality. Many states[8] have laws that provide an accountant-client privilege. In some states, the accountant-client privilege is evidentiary. It can be used to bar the admission of evidence in court just like the attorney-client privilege. In other states, the accountant-client privilege is more limited.

In connection with federal income tax issues, federal law does **not** recognize any accountant-client privilege.[9] Accordingly, this privilege cannot be successfully asserted in matters involving the IRS or federal tax law.

Cooperation with IRS

If the IRS requests information that the practitioner or client does not have, the practitioner must:

- Make reasonable inquiry of the client about who may have the information, and
- Provide the IRS with any known information about any person who the practitioner believes may have the information.

AICPA Code of Professional Conduct. The American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct Rule 301, "Confidential Client Information," states that a CPA "shall not disclose any confidential client information without the specific consent of the client." In certain circumstances, the CPA might find a conflict situation between the Circular 230, §10.20 provision of automatic disclosure to the IRS and the AICPA Rule 301, particularly when the client cannot be reached for further inquiry or when the client does not consent to provide information on the location of records to the IRS.

> **Note.** There are many professional associations, such as the National Association of Enrolled Agents (NAEA), and National Association of Tax Professionals (NATP). Each has their own codes of conduct. NAEA rules of professional conduct include rules that govern professional independence, advertising, and soliciting.[10]

THIRD-PARTY DISCLOSURE UNDER IRC §6103

A taxpayer may authorize the IRS to disclose their return or return information to a third party as long as doing so does not prevent the IRS from effectively administering the federal tax laws.[11]

The Taxpayer First Act (TFA)[12] adds the requirements that anyone designated by the taxpayer to receive their return information cannot use the information for anything other than the designated purpose and may not disclose the information to anyone else without the taxpayer's permission.[13] These conditions are effective for disclosures made after December 28, 2019.

> **Caution.** When sharing stories about a client's situation, the best course of action to follow is to change circumstances **sufficiently** to avoid any potential unauthorized disclosures. It may be wiser not to share client stories at all.

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8. The Illinois Public Accounting Act provides an accountant-client privilege. It is codified at 225 ILCS 450/27. It is evidentiary but cannot be used in an investigation or hearing pursuant to the Public Accounting Act.
9. *Couch v. U.S.,* 409 U.S. 322 (1973).
10. *Code of Ethics and Rules of Professional Conduct.* Nov. 2010. NAEA. [www.naea.org/wp-content/uploads/2020/05/Proposed-Revised-Code-of-Ethics-and-Rules-of-Professional-Conduct2019-25oct19-GSM-review-FINAL.pdf] Accessed on Aug. 8, 2023.
11. IRC §6103(c) before amendment by the *Taxpayer First Act,* PL 116-25.
12. *Taxpayer First Act,* PL 116-25.
13. IRC §6103(c).

Unwittingly disclosing a client's confidential information can happen more easily than one may think. Chatting with friends outside of business or using business networking sites can potentially lead to the unauthorized disclosure of client information and violations of Circular 230, §10.51(a)(15), §7216 (criminal penalties), and IRC §6713 (civil penalties). Discretion must be exercised when describing a client's situation, regardless of the outcome. A client's confidential information should not be disclosed without the client's permission.[14]

Examples of prohibited disclosures include the following.

- Publicly (or in writing) stating the client's name without consent
- Giving enough information about the taxpayer that could allow someone to ascertain to whom the practitioner is referring

If client information is disclosed, a practitioner could be in violation of Circular 230, §10.51(a)(15), for an unauthorized disclosure of tax return information.

Consent of the Client

A **knowing and voluntary** written consent of the client can be obtained as authorization to disclose or use the client's tax information for purposes other than tax preparation.[15] For the client consent to be valid, it must generally contain the following information.

- Names of the taxpayer and tax return preparer
- The intended purpose of any disclosure and the intended recipients of the information
- The nature of any uses of the tax information authorized
- A description of the tax return information to be used
- The signature of the taxpayer and the date[16]

Generally, if the tax return preparer tells the client that tax services will **only** be offered if the client consents to disclose their information for other purposes, the consent is deemed **involuntary** and will not be valid. However, there is an exception to this rule for tax return preparers who may need to rely on the expertise of another tax return preparer to complete the client's return. In this case, the tax return preparer may make the client's disclosure consent a prerequisite to the provision of tax preparation services.[17]

The duration of the consent may be specified. However, if no duration is specified, the consent is deemed valid for one year from the date of the client's signature.[18] Consent can **never** be retroactive and therefore must be obtained before the disclosure or use of client information that requires the consent.[19]

If the tax return preparer intends to use the client's tax information for the solicitation of products or services other than tax preparation services, the consent must identify the specific products or services being solicited (such as mutual funds, individual retirement arrangement (IRA) accounts, life insurance, portfolio management, or other products or services).[20]

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14. Circular 230, §10.51(a)(15).
15. Treas. Reg. §301.7216-3(a)(1).
16. Treas. Reg. §301.7216-3(a)(3)(i).
17. Treas. Reg. §301.7216-3(a)(1).
18. Treas. Reg. §301.7216-3(b)(5).
19. Treas. Reg. §301.7216-3(b)(1).
20. Treas. Reg. §301.7216-3(a)(3)(i)(B).

The regulations under §7216 regarding disclosure and use of client tax information are lengthy and complex. Among situations that have special use or disclosure rules are the following.

- Tax return preparer disclosure of client tax information to obtain legal advice
- Disclosure of tax information by fiduciaries, such as by trustees to other parties
- Disclosure or use of a client's tax information in connection with a state or local tax audit
- Use of tax information lists to solicit tax preparation business
- Disclosure of tax information due to the death of a taxpayer

Improper use of a client's tax return information in a manner that violates §7216 constitutes **disreputable conduct** even without the conviction of the tax return preparer. Circular 230, §10.51, lists several items that constitute disreputable conduct. This list of items includes conviction of any criminal offense under the federal tax laws[21] or conviction of any criminal offense involving dishonesty or breach of trust.[22] Therefore, a tax return preparer violation of §7216 will constitute disreputable conduct under Circular 230.[23]

Permitted Disclosures[24]

Sanctions (civil or criminal) do **not** apply to **permitted** disclosures or use of tax return information. For this purpose, the following **disclosures** and **uses** of tax return information are permitted.

- **Disclosure** pursuant to any other Code section or Treasury regulation
- **Disclosure** to the IRS
- **Disclosure** pursuant to a court order
- **Use** of a client's tax return information when updating tax preparation/filing software
- **Use** of and **disclosure** to tax return preparers located within the same firm **inside** the United States for tax preparation or auxiliary services for that client
- **Use** of and **disclosure** to tax return preparers located within the same firm **outside** the United States for tax preparation or auxiliary services for that client (with the client's consent)
- **Use** of and **disclosure** between tax return preparers located within the same firm **outside** the United States if the information was originally provided to the firm by the taxpayer
- **Disclosure** to tax return preparation software/equipment contractors **only to the extent necessary** to provide contracted services
- **Disclosure** and **use** for certain related taxpayers
- **Disclosure** when securing legal advice, or during Treasury investigations or court proceedings concerning the preparer
- **Use** and **disclosure** to other members of the preparer firm for other tax, legal, or accounting services to the client

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21. Circular 230, §10.51(a)(1).
22. Circular 230, §10.51(a)(2).
23. Circular 230, §10.51(a)(15).
24. Treas. Reg. §301.7216-2.

- **Use** and **disclosure** to other members of the preparer firm for other tax, legal, or accounting services for work on **another** client to the extent relevant to that work
- Certain **disclosure** and **use** by a preparer who also serves as a corporate fiduciary to the same client
- **Disclosure** to the taxpayer's fiduciary when the taxpayer dies or becomes incompetent, insolvent, or bankrupt
- **Disclosure** or **use** in preparation for an audit of state or local tax returns or assisting a taxpayer with foreign country tax obligations
- **Disclose** or **use** to the extent necessary to process or collect payment for tax preparation services
- **Use** in preparation of other tax returns of the taxpayer or in connection with an IRS examination of any tax return or subsequent tax litigation relating to the tax return
- **Use** of certain tax return information in compiling client lists for solicitation of tax return preparation business
- **Use** and **disclosure** of certain tax return information in producing statistical information in connection with tax return preparation business
- **Disclosure** or **use** of information for quality, peer, or conflict reviews to a reviewer who is eligible to practice before the IRS
- **Disclosure** to a federal, state, or local official when reporting the commission of a crime or suspected crime
- **Disclosure** to the legal representative of an incapacitated or deceased tax return preparer for the purpose of assisting the representative in operating the business

Preparers may also use tax return information for preparation of the client's state and local tax returns and declarations of estimated tax.

Unless **disclosure** or **use** of tax return information is specifically authorized, as previously described, a tax return preparer may not disclose or use a client's tax return information prior to obtaining a written consent from the client.[25]

IRC §7216 PENALTIES FOR IMPROPER DISCLOSURE

Under §7216, a tax return preparer generally may not use or provide a taxpayer's **return information** to another party, unless:[26]

- The **use** or **disclosure** is specifically permitted by §7216 or Treas. Reg. §301.7216-2, or
- The tax return preparer obtains valid consent from the taxpayer.

The TFA increases the civil penalty for unauthorized or improper disclosure or use of information by tax return preparers.[27] The penalty, which was $250, increased to $1,000 effective July 1, 2019. The penalty applies when the disclosure or use is made in connection with a crime relating to the misuse of another person's identity.

The TFA increases the calendar-year limit on such civil penalties from $10,000 to $50,000.[28] The calendar-year limit is applied separately with respect to disclosures or uses made in connection with taxpayer identity theft.

The TFA also increases the criminal penalty for knowing or reckless conduct to $100,000 for disclosures or uses in connection with taxpayer identity theft.[29]

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25. Treas. Reg. §301.7216-3(a)(1).
26. IRC §7216(a)(1); Treas. Reg. §301.7216-3.
27. PL 116-25, §2009.
28. Ibid.
29. Ibid.

Discussion Scenario 3

Kennedy is a seasoned tax professional. Over lunch, she starts complaining to her best friend about one of her clients, who is really bugging her. She shares that the client runs a small local pest control company and "even though he has done work for just about every house in town, he can't tell me how many clients he worked with last year or provide me with any records. He just jots notes down in this little notebook in his truck and expects me to make sense of it!" Kennedy's friend asks if this is the company over on Main Street and Kennedy replies, "yes, that's the one."

Which types of violations are present in this scenario? _____

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What civil and criminal penalties could Kennedy be subject to? _____

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How would this situation be different if Kennedy was selling her practice and her friend was a prospective buyer of the business?_____

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Discussion Scenario 4

Talia is a CPA and a member of her state-sponsored CPA society. She attends one of their networking events over the holiday season. While enjoying cocktail hour, she asks another attendee for advice on a client situation. She mentions that her client, who operates a small Italian restaurant in her town, is currently being audited by the Small Business Administration (SBA) for inappropriate use of Paycheck Protection Program (PPP) funds. Talia asks the other CPA if she has ever successfully defended a client in a similar situation.

Has Talia violated her client's confidentiality in this situation? Would the result be different if Talia provided the other CPA with her business card that reflects the name of the small town in which Talia and her client reside? _____

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What is the likely penalty that Talia would face for making this inadvertent disclosure? _____

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How could Talia solicit assistance without violating nondisclosure rules?_____

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INDUSTRY-FOCUS AND COMPETENCE

Based on a 2022 Client Advisory Services survey, 77% of practices specialize in one or more industries rather than being a generalized practice.[30] Examples of a specialized **practice focus** include financial planning, client advisory services, sales and use tax, foreign taxation, technology consulting, cybersecurity services, and human resources consulting. Examples of a specialized **industry focus** include restaurant/hospitality, construction, real estate, agriculture, financial institutions, healthcare, and technology industry.[31]

Some benefits of specialization include increased efficiencies (such as understanding industry trends), improved quality by having a deeper understanding of the industry, and a greater value to a firm's clients.

Firms that are focusing on a specialization should consider the following areas of Circular 230 in their practices if they are going to prepare income tax returns.

COMPETENCE

Section 10.35 of Circular 230 requires practitioners to have a minimum level of competency and understanding to address the issues presented to them by clients. Tax professionals can never use ignorance of the law as a defense. Competent representation can be achieved by seeking the assistance of persons with greater knowledge of a given topic than the practitioner possesses.[32]

Practitioner Planning Tip

It might appear difficult to comply with the provisions of §10.35, especially for newer practitioners or for practitioners engaging a client with an activity with which the tax practitioner has little familiarity. While tax professionals should seek to continually expand their knowledge, lack of knowledge in a given area of tax law does not preclude the practitioner from learning about the activity concerned. Circular 230, §10.35(a) provides that practitioners may become competent in a given issue by consulting experts or by studying the laws relating to the issue. The intent of the provision is to be competent, to seek knowledge, never claim ignorance, or to refer an unfamiliar situation to another professional. This is where a tax practitioner who specializes in a particular industry or practice can charge a premium and serve as a reference to firms who perform more generalized tasks.

30. *CAS Benchmark Survey.* 2022. CPA.com. [www.cpa.com/sites/cpa/files/2022-12/cas-benchmark-survey-22-cpacom.pdf] Accessed on Jun. 30, 2023.

31. *Why specialization is the key to firm growth.* Merhib, Kalil. Mar. 21, 2023. CPA.com. [www.cpa.com/blog/2023/03/21/why-specialization-key-firm-growth] Accessed on Jun. 30, 2023.

32. Circular 230, §10.35(a).

Discussion Scenario 5

Floyd is an EA with five years of experience preparing individual tax returns. Last year, he took a course on preparing trust tax returns and has very limited exposure to the preparation of Form 1041, *U.S. Income Tax Return for Estates and Trusts.*

During the summer, a local bank's trust department contacts Floyd and asks him if he would be willing to prepare Forms 1041 for their bank. The bank has several trusts that they serve as trustees for and their current tax preparer has retired and they are looking for a new tax preparer.

What are some things Floyd should do to ensure that he has the necessary knowledge, skill, thoroughness, and preparation required for taking on this task? _____

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Should Floyd turn down this business opportunity because of Circular 230, §10.35? If not, what can he do to prepare himself for this task? _____

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If Floyd consults with an experienced colleague in preparing the returns, has he met his obligation under Circular 230, §10.35? Why or why not?_____

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Discussion Scenario 6

Rhonda is a CPA who passed the CPA exam two years ago. She now operates her own accounting and tax preparation firm as a sole practitioner. For the past two years, she completed Forms 1040, *U.S. Individual Income Tax Return,* 1120, *U.S. Corporation Income Tax Return,* and 1065, *U.S. Return of Partnership Income,* and related forms and schedules for her small but growing number of clients.

In June 2021, Rhonda met with Bob and Barbara. They are married and moved to the United States from Canada to work for a U.S. company. They told Rhonda that they would receive Forms W-2, *Wage and Tax Statement,* after the end of the year showing their respective salaries for 2021. They also mentioned that they would have some Canadian wage and investment income in the form of interest and dividends. They received this income in early 2021 before moving to the United States.

Bob and Barbara asked Rhonda to complete their 2021 tax return, which was the first U.S. tax return they filed. Rhonda had never prepared an initial tax return for a new U.S. resident. However, she thought that Bob and Barbara's 2021 U.S. tax return would not be materially different from other MFJ returns she had prepared.

Bob and Barbara furnished Rhonda with their Forms W-2, the amounts of Canadian wage and investment income they received, and income taxes they paid in Canada. The next day, Rhonda researched how to report the Canadian wage and investment income on Form 1040. She also researched how to convert the Canadian dollar amounts to the U.S. dollar equivalents that must be shown on Form 1040. Rhonda completed their Form 1040 and met with Bob and Barbara to review the return. After all three of them signed the return, it was filed.

In June 2023, Bob and Barbara contacted Rhonda about letters they had received from the IRS and the Financial Crimes Enforcement Network (FinCEN). They furnished copies of the letters to her. The letters identified the following issues with Bob and Barbara's 2021 tax return.

- Bob and Barbara failed to report their Canadian retirement and investment accounts on FinCEN Form 114, *Report of Foreign Bank and Financial Accounts,* as required under the Bank Secrecy Act.
- Bob and Barbara failed to attach Form 8938, *Statement of Specified Foreign Financial Assets,* with their return to disclose their Canadian retirement and investment accounts.

Was Rhonda's preparation and research adequate to provide the level of competence necessary to complete Bob and Barbara's tax return? Why or why not?_____

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What other research or actions should Rhonda have taken to exercise adequate due diligence under Circular 230, §10.22?

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Does it make Rhonda's actions worse if she worked in a large firm that had an international tax department and did not consult with them?_____

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COMPLIANCE WITH PRACTICE PROCEDURES

Per Circular 230, §10.36, the person in a firm assigned the responsibility for determining compliance with the firm's practice procedures must take all reasonable steps to make certain there are processes in place to apply these standards. This applies not just to persons working for the firm but also to those who provide services and are therefore considered to be associated with the firm.

Businesses often need to hire persons to provide services the company cannot provide without assistance. However, the firm still has a responsibility to understand what the contractor is providing and cannot merely rely on what the contractor may say and ignore potential issues.

Discussion Scenario 7

Sarah is a CPA with Jones & Smith, CPAs. She specializes in providing tax services to clients in the construction industry. One of her longstanding clients, XYZ Construction, is a medium-sized company that has been experiencing financial difficulties due to the economic downturn in the industry. As a result, they are exploring various strategies to minimize their liabilities and improve their financial position.

During a routine tax consultation with XYZ Construction, the company's owner, John, confides that they may have misclassified workers as independent contractors to avoid payroll taxes. He emphasized that other construction companies commonly engage in these practices and that it is necessary for XYZ Construction to do the same to remain competitive.

Jones & Smith's policies include having an initial discussion with all clients on the difference between wage employees and independent contractors, including the consequences of misclassifying workers. Another policy states that when an employee is uncertain on a particular matter, the company has other specialists who may be contacted to obtain further expertise within an industry and may rely on their expertise.

Upon reviewing her files on XYZ, Sarah sees a document where the independent contractor requirements were reviewed with John when XYZ first became a client. Sarah discusses XYZ's case with another CPA, Marcus, who is employed outside of her firm. Marcus agrees with John that is common within the construction industry to classify workers as independent contractors. However, Marcus is not privy to the specific details of XYZ's workers because Sarah does not want to inadvertently disclose client information.

Can Sarah rely on the opinion of Marcus in accordance with Jones & Smith's policies? _____

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What are Sarah's ethical requirements regarding the potential misclassification of independent contractors? _____

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How should Sarah approach her ongoing relationship with XYZ Construction in the light of the ethical concerns raised? What steps can she take to ensure that her practice remains compliant with Circular 230 while still providing valuable tax services to her clients? _____

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Discussion Scenario 8

Use the same facts and circumstances as **Scenario 7,** except that Jones & Smith also has a policy stating that once a client has been informed of the difference between wage employees and independent contractors, there are two options concerning the engagement.

1. The engagement continues if the client agrees to be compliant with court rulings and IRS regulations going forward.
2. Disengage the client if they refuse to be compliant.

Based on this company policy, how should Sarah proceed with XYZ Construction?_____

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If Sarah can document that XYZ's determination of independent contractors is within the "industry standard" as Marcus states, may she continue the engagement without concerns of company policy and Circular 230?_____

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INCOMPETENCE AND DISREPUTABLE CONDUCT

Circular 230, §10.51, enumerates various courses of conduct that constitute incompetence and are considered disreputable. This provision carries forward from §10.50, which addresses sanctions such as the ability of the Office of Professional Responsibility (OPR) to censure, suspend, or disbar a practitioner.[33] Circular 230, §10.51(a) illustrates a series of potentially actionable offenses that constitute incompetence and disreputable conduct.[34]

There are several circumstances that constitute disreputable conduct on the part of the practitioner. These provisions can be summarized by the following actions.

- Criminal convictions
- Felony convictions resulting in the practitioner being unfit to represent taxpayers before the IRS
- Giving false or misleading testimony or helping others to give false or misleading testimony to IRS or Treasury employees
- False, misleading, or deceptive advertising practices
- Practitioners not filing their own returns or paying the tax they owe
- Assisting or suggesting ways a taxpayer may violate the law
- Taking funds from a taxpayer intended to pay tax obligations and using them personally

33. Circular 230, §10.50(a).

34. Circular 230, §§10.51(a)(1)–(18).

- Attempting to bribe Treasury officials
- Disbarment from practice by their state governing authority
- Assisting disbarred persons to practice before the IRS
- Rude, abusive, or threatening treatment of IRS employees
- Taking misleading positions known to be contrary to law
- Intentionally failing to sign returns prepared by the practitioner
- Unauthorized disclosure of taxpayer information
- Failing to maintain records of returns prepared
- Preparation of returns without a valid preparer tax identification number (PTIN)

Discussion Scenario 9

Carson is an EA who owns his own tax practice. He has a small staff that consists of two other preparers who are unlicensed. Carson's practice is located in a Chicago suburb where most of his clients are business-owners and various other business professionals.

One of Carson's longtime clients, Jordan, decides to leave his corporate job and buys a small farm to grow pumpkins and start a family-friendly pumpkin patch. Jordan has no experience in farming, and likewise, Carson is not experienced in taxation specific to agriculture. However, Carson assures Jordan that his research skills are topnotch, and he will acquire the necessary knowledge to competently complete Jordan's return.

Carson recommends Jordan get in touch with Guy, a businessman he knows who can facilitate Jordan donating an easement on the farm property. Guy has been in some hot water with the IRS recently, but Carson assures Jordan the odds of an audit are low. Jordan expresses some reluctance. Carson sends Jordan's preliminary return to Guy anyway so Guy can sway Jordan by calculating the tax savings.

Carson gets swamped preparing returns in April and tells one of the unlicensed preparers in his office to sign off on Jordan's return. The preparer rarely signs returns and did not renew her PTIN the preceding year. However, she signs the return anyway.

How would the situation be different if Carson worked in a firm that specialized in agriculture?_____

_____

_____

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Which of Carson's actions are in violation of §10.51 of Circular 230? _____

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Can Carson be held responsible for the unlicensed preparer's actions? _____

_____

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CONTINGENT FEES[35]

Contingent fees are generally disallowed for services related to any matter before the IRS.[36] These restrictions are designed to ensure independent judgment is used by practitioners while representing clients with tax issues.

Under Circular 230, tax practitioners may charge contingent fees for representations on matters **before the IRS** only in the following circumstances.

- For services rendered in connection with the IRS examination of, or challenge to, one of the following:
  - An original tax return, or
  - An amended return or claim for refund or credit filed within 120 days of the taxpayer receiving an IRS written notice challenging or examining the **original** tax return.
- For services rendered regarding a claim for credit or refund of IRS-assessed penalties and/or statutory interest
- Any judicial proceeding arising under the Code

A contingent fee is any fee that depends, wholly or partly, on whether a position taken on a tax return or other filing avoids challenge by the IRS or is sustained either by the IRS or in litigation. Such fees include those based on any of the following.

- A percentage of the refund reported on a return
- A percentage of the taxes saved, or that otherwise depends on a specific result
- An arrangement to waive fees if a position taken on a tax return or other filing is challenged by the IRS or is not sustained

For this purpose, a matter **before the IRS** includes the following.

- Tax planning and advice
- Preparing or filing, or assisting in preparing or filing, returns or claims for refund or credit
- All matters connected with a presentation to the IRS relating to a taxpayer's rights, privileges, or liabilities under laws or regulations administered by the IRS

Practitioner presentations on matters before the IRS include the following.

- Preparing and filing documents
- Corresponding and communicating with the IRS
- Rendering written advice with respect to any entity, transaction, plan, or arrangement
- Representing a client at conferences, hearings, and meetings

35. Circular 230, §10.27(b).

36. Circular 230, §10.27(b)(1).

In the 2014 case of *Ridgely v. Lew et al.,*[37] the court ruled that the IRS did not have the authority to regulate Gerald Ridgely in his role as a tax preparer for the contingent fee arrangement used in preparation of an ordinary refund claim. In reviewing a statute enacted in 1884, which the IRS cited as its source of regulatory authority, the court observed that this statute provides the IRS with authority to regulate "representatives," not tax return preparers.

Gerald Ridgely argued that a CPA does not engage in legal representation of a taxpayer by assisting with the preparation and filing of a refund claim. He argued that representation does not begin until the IRS subsequently responds to the claim and the CPA submits the required power of attorney form to engage in client representation. The IRS took the position that current law, consisting of the Horse Act of 1884,[38] provided the IRS with authority to regulate aspects of practice such as Gerald Ridgely's contingent fee arrangement. The IRS further argued the regulation of contingent fee arrangements was essential because of concerns about ensuring the tax advisor's professional independence, and such independence is jeopardized if the tax advisor and taxpayer have aligned their financial interests through a contingent fee arrangement.

The court reviewed the Horse Act statute that the IRS cited as its source of regulatory authority and noted that the *Loving*[39] case served as precedent. *Loving* is the case in which the previously mandated registered tax return preparer (RTRP) program was set aside. *Loving* indicated that the Horse Act definition of a "representative" that the IRS may regulate was limited to persons with the authority to bind others in the course of representation. *Loving* distinguished "representatives" from tax return preparers, noting that tax return preparers cannot be regulated by the IRS because a tax return preparer has no authority to bind the taxpayer in the course of their work. Therefore, the court concluded, the Horse Act of 1884 did not provide the IRS with the authority to regulate Gerald Ridgely in his role as a tax preparer for the contingent fee arrangement used in preparation of an ordinary refund claim. The court concluded it was compelled under the Administrative Procedure Act to hold that the attempted IRS regulation of Ridgely's contingent fee arrangement was beyond the scope of statutory IRS regulatory authority and was unlawful.

Observation. Circular 230, §10.27 represents the official position of the IRS as revised June 2014. Ridgely successfully challenged the authority of the IRS prior to the change to Circular 230 in June 2014 to enforce the provision against practitioners charging contingent fees in the mere preparation of a refund claim.

Discussion Scenario 10

Sophia is a CPA who regularly prepares payroll and income tax returns for many small businesses, including sole proprietors, corporations, and partnerships. Sophia learns about the employee retention credit (ERC) and begins reviewing the business operations of her clients to determine which, if any, of those clients might benefit from such a claim. She determines that several of her clients satisfy the required decline in gross revenues and qualify for the credit.

During late 2021 and the first half of 2022, she reaches out to the affected clients and offers her services to prepare and file the refund claims on their behalf. She has the clients execute engagement letters specific to the ERC refund claims and states that her fee to prepare the claims will be 10% of the resulting refunds. The clients all sign the engagement letters and Sophia proceeds with the preparation and filing of the Form 941-X, *Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund,* for each of the clients and the amended income tax returns that are required.

37. *Ridgely v. Lew,* 44 F.Supp.3d 89 (D.C. Cir. 2014).

38. This law, in its present form, is currently codified at 31 USC 330.

39. *Loving v. IRS,* 742 F.3d 1013 (D.C. Cir. 2013).

Is Sophia's contingent fee a violation of §10.27 of Circular 230? Why or why not? _____

_____

_____

_____

_____

Would the answer be different if Sophia charged the same 10% fee to represent the client after the IRS notified the client that they were auditing the amended payroll and income tax returns? _____

_____

_____

_____

_____

What would happen if Sophia offered to prepare all future Forms 941 for a fee of 10% of the tax liability?_____

_____

_____

_____

_____

EFFECT OF INCENTIVES

Because certain contingent fees are permitted under Circular 230, it begs the question: does the existence of contingent fees incentivize tax preparers to not comply with tax law?

POWER OF ATTORNEY

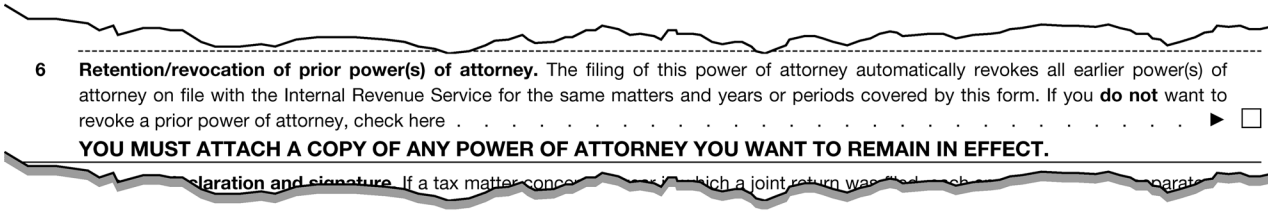
Under Circular 230, §10.2(a)(4), practice before the IRS includes "preparing documents; filing documents; corresponding and communicating with the Internal Revenue Service... and representing a client at conferences, hearings, and meetings." IRS Pub. 947 provides a list of categories of individuals who may practice before the IRS and states when a power of attorney (POA) is required. For example, a POA is required to represent a client at a meeting with the IRS and to receive a client's confidential tax information from the IRS.

WITHDRAW/REVOKE

For a qualified tax return preparer to have full authority to represent a new client before the IRS, the preparer must be authorized by the client. This is typically accomplished by using Form 2848. Only practitioners eligible to practice before the IRS can use this form to obtain full representational authority. An eligible practitioner is one who has not been disbarred or suspended from IRS practice and is one of the following.

- An attorney
- A CPA
- An EA
- An enrolled actuary
- An enrolled retirement plan agent

Filing a new Form 2848 to appoint a new practitioner automatically revokes the authorization of the previous practitioner who was engaged for the same matters and years covered by Form 2848. However, should the client want to retain a previously authorized practitioner, Form 2848 provides an option for doing so. In addition to checking the appropriate box on Form 2848, a copy of the Form 2848 that authorized the previous practitioner must be attached to the Form 2848 that authorizes the new practitioner.



6 **Retention/revocation of prior power(s) of attorney.** The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same matters and years or periods covered by this form. If you **do not** want to revoke a prior power of attorney, check here . . . . . ▶ ☐

YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.

Declaration and signature. If a tax matter concerns a year in which a joint return was filed and both spouses are separate

A client can **revoke** the decision to authorize a particular practitioner as representative. The client that used Form 2848 or Form 8821, *Tax Information Authorization,* to assign representation can accomplish the revocation by forwarding a copy of the original Form 2848 or Form 8821 with the word "revoke" written across the top of the form. In addition, underneath the original signature, the effective date of revocation must be provided along with a current signature. The practitioner can also use this method to **withdraw** as representative if a Form 2848 or 8821 was used for the original authorization and they no longer wish to represent a particular client.[40]

> **Note.** A Form 8821 cannot revoke a previously submitted Form 2848, and a Form 2848 cannot revoke a previously submitted Form 8821.[41]

If the client wishes to revoke and has no copy of the Form 2848 or did not use this form, it is sufficient to send the IRS a written statement that includes the following details.[42]

- An indication that the POA is revoked
- An indication that the revocation is removed for all years or periods or a specific list of particular matters, years, or periods for which selective revocation is made
- The name and address of each representative being revoked
- A signature and date

The withdrawing practitioner can also withdraw using a similar statement. The name, taxpayer identification number, and address (if known) of the client must be stated.

Practitioner Retiring or Closing a Practice

If a practitioner retires or closes a tax practice, it is essential that they withdraw from representation for each client. If the practitioner remains on record as the representative for clients, they continue to owe those clients the various duties, obligations, and responsibilities outlined in Circular 230. Withdrawing from representation keeps the IRS informed that the practitioner is no longer responsible for various duties and obligations to the taxpayer. Withdrawal from client representation does not mean revocation of qualified practitioner status under Circular 230.

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40. See Form 2848 and Form 8821 instructions.
41. IRM 4.11.55.2.8 (2010).
42. See Form 2848 instructions.

Firing a Client

A practitioner may feel relief after firing a client and, after providing any necessary transition documents, they move on with their practice. However practitioners should withdraw the POA on file for that client. Failing to do so can create similar circumstances to leaving a POA in place when retiring or closing a practice, as practitioners have responsibilities and obligations to the taxpayer for as long as the POA is on file.

Discussion Scenario 11

Carol, a CPA, has had a tax practice for 35 years. She is retiring and the closing date on the sale of her entire practice is about six months away. She is selling her practice to FGH Accounting Services, LLC. Carol begins the process of withdrawing as representative for each of her clients.

What are Carol's options for withdrawing her POAs? _____

_____

_____

_____

_____

Is it sufficient if Carol has each client execute a new Form 2848 that appoints FGH Accounting Services, LLC as a POA? Does she need to identify a specific individual at the new firm? _____

_____

_____

_____

_____

If Carol does not withdraw the POAs that she has on file, what responsibilities does she still owe her former clients?

_____

_____

_____

_____

ATTEMPTS TO BYPASS[43]

It is important that tax preparers respond to IRS requests in a timely manner. If the taxpayer's representative has a valid signed POA on file, the IRS will make all requests for documents and appointments to the representative. While an audit request may come at the most inopportune time, the revenue agent normally tries to accommodate both the taxpayer and their representative. However, the agent cannot be delayed indefinitely. If the IRS determines the practitioner is intentionally causing unreasonable delay to the audit process, it can bypass the POA and contact the taxpayer directly.[44] Continually ignoring an IRS request ultimately results in a contact from OPR.

> **Note.** The bypass procedures do not constitute a disbarment or a suspension of the practitioner.

Prior to bypassing the POA, the IRS must document any of the following.

- The practitioner impedes or delays an examination by not submitting the taxpayer's records or information as requested by the IRS agent.
- The practitioner impedes or delays an examination by missing scheduled appointments.
- The practitioner impedes or delays an examination by not returning phone calls or written correspondence.

After the trend of delays is noted and the IRS has ensured that all reasonable efforts were taken to work directly with the practitioner, the following steps are taken.

1. The taxpayer receives copies of all written correspondence to the practitioner.
2. The practitioner receives either a Letter 4020-A, *Warning for Bypass Procedures for Preparers covered under Circular 230,* or Letter 4020-B, *Warning for Bypass Procedures for Unenrolled Preparers* (blank examples of both letters are shown on the following pages). Additionally, the practitioner receives copies of prior document requests, a list of outstanding items, and a brief chronology of events. This information is not sent to the taxpayer.

In the event that both the taxpayer and the practitioner are intentionally uncooperative, the IRS must issue a summons rather than using the bypass procedures previously outlined. A summons is also required if the practitioner refuses to provide documentation because they believe the information is privileged or that the request is of doubtful legality. The summons in this instance allows the practitioner to request a court to consider the legal issues of privilege.

43. See IRM 4.11.55.4 (2010).

44. IRC §7521(c); IRS Pub. 947, *Practice Before the IRS and Power of Attorney.*

Department of the Treasury
Internal Revenue Service
[Operating Division / Program Name]

Date:
07/13/2023
Taxpayer ID number (last 4 digits):

Person to contact:

Employee ID number:

Contact telephone number:

Dear [enter Name]:

Our records indicate that you are the representative for in connection with the tax matters of Form(s) . We have on file a Form 2848, *Power of Attorney and Declaration of Representative,* authorizing you to receive confidential information and to perform specified acts on behalf of the taxpayer relating to the tax returns under examination.

We have requested information from you to complete our examination. Your responses to our requests have been consistently late or incomplete. A schedule of our prior requests and a list of items currently outstanding are attached. The currently outstanding items must be submitted by , days from the date of this letter. Further, any information we request in the future will be due within days from the date of the request. If you do not respond to this request, our rules permit us to bypass you and contact the taxpayer directly for the requested information. Where a recognized representative has unreasonably delayed or hindered an examination, collection, or investigation by failing to furnish, after repeated request, nonprivileged information necessary to the examination, collection, or investigation, the Internal Revenue Service employee conducting the examination, collection, or investigation may be given permission to bypass the representative and contact the taxpayer directly for such information. 26 C.F.R. § 601.506(b) (Statement of Procedural Rules).

Please be advised that failure to promptly submit records or information in response to a proper and lawful request of an Internal Revenue Service officer or employee, or unreasonable delay or hindrance of an examination, may constitute a violation of Treasury Department Circular No. 230 (31 C.F.R. Part 10), *Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers Before the Internal Revenue Service.* Section 10.20(a)(1) of Circular 230 requires a practitioner, upon a proper and lawful request by a duly authorized officer or employee of the Internal Revenue Service, to promptly submit records or information in any matter before the Internal Revenue Service, unless the practitioner believes in good faith and on reasonable grounds that the records or information are privileged. Section 10.23 of Circular 230 prohibits a practitioner from unreasonably delaying the prompt disposition of any matter before the Internal Revenue Service.

Letter 4020-A (Rev. 1-2017)
Catalog Number 47377C

Department of the Treasury
Internal Revenue Service
[Operating Division / Program Name]

Date:
07/13/2023
Taxpayer ID number (last 4 digits):

Person to contact:

Employee ID number:

Contact telephone number:

Dear [enter Name]:

Our records indicate that you are the representative for in connection with the tax matters of Form(s) . We have on file a Form 2848, *Power of Attorney and Declaration of Representative,* authorizing you to receive confidential information and to perform specified acts on behalf of the taxpayer relating to the tax returns under examination.

We have requested information from you to complete our examination. Your responses to our requests have been consistently late or incomplete. A schedule of our prior requests and a list of items currently outstanding are attached. The currently outstanding items must be submitted by , days from the date of this letter. Further, any information we request in the future will be due within days from the date of the request. If you do not respond to this request, our rules permit us to bypass you and contact the taxpayer directly for the requested information. Where a recognized representative has unreasonably delayed or hindered an examination, collection, or investigation by failing to furnish, after repeated request, nonprivileged information necessary to the examination, collection, or investigation, the Internal Revenue Service employee conducting the examination, collection, or investigation may be given permission to bypass the representative and contact the taxpayer directly for such information. 26 C.F.R. § 601.506(b) (Statement of Procedural Rules).

Please be advised that neglecting or refusing to submit records or information in response to a proper and lawful request of an Internal Revenue Service officer or employee, or unreasonably delaying the prompt disposition of a matter, may constitute a violation of Revenue Procedure 81-38, 1981-2 C.B. 592. Section 7.03 of the revenue procedure prohibits an unenrolled preparer, upon a proper and lawful request by a duly authorized officer or employee of the Internal Revenue Service, from neglecting or refusing to submit records or information in any matter before the Internal Revenue Service, unless the unenrolled preparer believes in good faith and on reasonable grounds that the request for such records or information is of doubtful legality. Section 7.06 of the revenue procedure prohibits an unenrolled preparer from unreasonably delaying the prompt disposition of any matter before the Internal Revenue Service. Under Section 10 of the revenue procedure, an unenrolled preparer whose conduct violates the revenue procedure may be determined ineligible to exercise the privilege of limited practice before the Internal Revenue Service.

Letter 4020-B (Rev. 1-2017)
Catalog Number 47378N

Discussion Scenario 12

Roland is a practitioner who fired a client two years ago and forgot he had a POA on file with the IRS for this client. He received a notice from collections concerning this client. Because he no longer is engaged with the client, Roland destroys the notice and does not respond. A few weeks later, Roland is contacted by the IRS by phone. The IRS states they cannot proceed to contact the taxpayer until the current POA is withdrawn or revoked.

What is Roland's responsibility under Circular 230? _____

_____

_____

_____

_____

Does he have a responsibility to respond to the client in question?_____

_____

_____

_____

_____

What are a preparer's options for withdrawing a POA? _____

_____

_____

_____

_____

REPORTING UNETHICAL PREPARERS[45]

A client who wishes to file a complaint against a practitioner or tax preparation business may do so using Form 14157, *Return Preparer Complaint.* This form may also be used by a tax practitioner who wishes to lodge a complaint against another practitioner. A copy of this form is shown on the following pages.

Form 14157 is filed directly with the return preparer office (RPO) in Atlanta, Georgia. The RPO reviews each complaint and determines whether an investigation should be initiated. Complaints with criminal issues may be referred to the U.S. Department of Justice for investigation. Some common types of return preparer misconduct that may lead to an investigation include instances in which the return preparer:

- Did not provide the client with a copy of the return they prepared and refused to provide a copy after a request;
- Did not return some or all of the client's original records (which is a violation of Circular 230, §10.28);
- Did not sign a federal tax return they prepared;
- Claimed to be an attorney, CPA, or EA, without actually having the credential claimed or without a valid credential (e.g., it expired, was suspended, or revoked);
- Indicated to the client that their return would be filed but failed to file the return;
- Charged for services that were never performed;
- Failed to remit the client's money for taxes due when their relationship with the client made them responsible for doing so;
- Filed a return or submitted other information for a client document without that client's knowledge, authorization, or consent;
- Failed to explain that a cash advance, fast refund, or instant refund was actually a refund anticipation loan borrowed against an income tax refund and/or failed to explain the related fees and interest charges;
- Was misleading or failed to ensure that the client understood financial products and related fees;
- Used a PTIN belonging to another preparer; or
- Prepared a return without a PTIN or failed to indicate their PTIN on a return they prepared.

45. Instructions for Form 14157.

Form **14157** (June 2018)	Department of the Treasury - Internal Revenue Service **Return Preparer Complaint**	OMB Number 1545-2168

Use this form to file a complaint with the IRS against a tax return preparer or tax preparation business.

CAUTION: READ THE INSTRUCTIONS BEFORE COMPLETING THIS FORM. There may be other more appropriate forms specific to your complaint. (For example, if you believe you are a victim of identity theft, please complete Form 14039, Identity Theft Affidavit).

Section A - Return Preparer Information *(complete all known information)*

1. Preparer's professional status *(check all that apply)*

☐ Attorney ☐ Certified Public Accountant ☐ Other/Unknown

☐ Enrolled Agent ☐ Payroll Service Provider

2. Preparer's name and address	3. Preparer's business name and address *(if different)*
4. Preparer's telephone number(s) *(include area code)*	5. Preparer's email address
6. Preparer's website	7. Preparer Electronic Filing Identification Number (EFIN)
8. Preparer Tax Identification Number (PTIN)	9. Employer Identification Number (EIN)

Section B - Complaint Information

10a. Tax period(s) impacted

10b. Did you pay a fee to your preparer ☐ Yes ☐ No	If "Yes", enter fee amount

How did you pay the fee *(e.g., deducted from refund, personal payment)*

11a. Review the complaints below and check all that apply

- ☐ Theft of Refund *(Diverted refund to unknown account; return filed does not match taxpayer's copy)*
- ☐ E-File *(e-filed returns using pay stub, non-commercial software or Free File without properly securing taxpayer's signature)*
- ☐ Preparer Misconduct *(Failed to provide copy of return, return records, sign returns or remit payments for taxes due; misrepresentation of credentials; agreed to file return but did not; filed return without authorization or consent.)*
- ☐ PTIN Issues *(Failed to include Preparer Tax Identification Number (PTIN) or any identification number on tax return; indicated the return was "self-prepared" when it was not.)*
- ☐ False Items/Documents *(False expenses, deductions, credits, exemptions or dependents; false or altered documents; false or overstated Form W-2 or 1099; incorrect filing status)*
- ☐ Employment Taxes *(Failed to file forms 940, 941, 943, or 945 or remit Employment Tax payment)*
- ☐ Return Preparer self reported event *(Compromised PTIN, data breach/security incident, return count discrepancy, someone used your identity to obtain a PTIN)*
- ☐ Other *(explain below)*

Attach a **copy** of any documents you received from the tax return preparer (e.g., **tax returns**, advertisements, business cards, Form 8879, IRS e-file Signature Authorization, Form 8888, Allocation of Refund (including savings bond purchases), Contract for Service Agreement, and Refund Transfer Agreement). Do not send original returns or payments with this form.

Catalog Number 55242M www.irs.gov Form **14157** (Rev. 6-2018)

11b. Provide facts and other information related to the complaint *(attach additional sheets if necessary).*

Section C - Taxpayer's Information **Are you the taxpayer?** ☐ Yes ☐ No

This information may be necessary to process your complaint. If you are the taxpayer complete section C only. If you are not the taxpayer, complete sections C and D.

12. Name *of individual or business*

13. Mailing address *(street, city, state, ZIP code)*

14. Telephone number(s) *(include area code)*

15. Email address

16. Taxpayer's signature

17. Date of complaint

Section D - Your Information *(do not complete if you are the taxpayer)*

This information is not required to process your complaint but is helpful if we need to contact you for additional information.

18. Name *(Last, First, MI)*

19. Date of complaint

20. Mailing address *(street, city, state, ZIP code)*

21. Telephone number(s) *(include area code)*

22. Email address

23. Your relationship to Preparer

- ☐ Client
- ☐ Return preparer working for a different firm*
- ☐ Return preparer working for the same firm*
- ☐ Return preparer self reported event
- ☐ IRS employee
- ☐ Other *(specify)* _____

* Taxpayers' information and any information relating to another professional are confidential. Please obtain your client's consent before sharing any protected tax information, even with the IRS.

The completed form along with all supporting information can be filed by fax or regular mail.

If faxing Form 14157 send to: **855-889-7957**

If mailing Form 14157 send to:

Attn: Return Preparer Office
401 W. Peachtree Street NW
Mail Stop 421-D
Atlanta, GA 30308

Privacy Act and Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. We need it to ensure that preparers are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

The time require to complete this form will vary depending on individual circumstances. The estimated average time is 15 minutes. The primary purpose of this form is to report potential violations of the Internal Revenue laws by tax return preparers. We are requesting this information under authority of 26 U.S.C. § 7801 and § 7803. Providing this information is voluntary, and failure to provide all or part of the information will not affect you. Providing false or fraudulent information may subject you to penalties. We may disclose this information to the Department of Justice to enforce the tax laws, both civil and criminal, and to cities, states, the District of Columbia, and U.S. commonwealths or possessions to carry out their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal non-tax criminal laws, and to federal law enforcement and intelligence agencies to combat terrorism.

Catalog Number 55242M www.irs.gov Form **14157** (Rev. 6-2018)

Discussion Scenario 13

Chris is meeting with a new client, Leonard, who has concerns about his previous practitioner. Chris requests Leonard bring his three most recent tax returns and the associated source documents to the appointment.

When Leonard presents his 2019 and 2020 returns (his most recently filed returns), Chris notices the returns do not include a PTIN or paid preparer's information, nor were they signed. Neither tax return has the accompanying source documents. However, there is an invoice marked "paid" with each return. Leonard states he was always asked to pay the invoice in cash. Chris asks about the source documents and Leonard says the previous practitioner always kept them. Leonard also states the last two years returns have not been completed even though the previous practitioner has had the documents for over a year.

Chris asks about certain deductions for materials and office expenses on Leonard's Schedule C, *Profit or Loss From Business*. Leonard states that for his projects, the customers purchase the materials and he provides the labor. His only office expense is the occasional purchase of an invoice book for $10. The return shows a $5,000 expense in materials and $1,500 in office expenses. Chris also notes there is an American Opportunity Credit on the return for Leonard. When he asks Leonard what he is studying at East Carolina University, Leonard states that no one in his family is attending college, and asks why Chris is inquiring.

Chris asks who the previous practitioner was so he can contact them, with Leonard's approval, to obtain his source documents so they can move forward.

Does Chris have sufficient cause to report Leonard's previous preparer to the IRS, and if so, what issues should be addressed on the complaint? _____

_____

_____

_____

What should Chris do to ensure the accuracy of the previously filed returns? _____

_____

_____

_____

_____

Can they proceed with preparing any unfiled or future returns? Why or why not?_____

_____

_____

_____

_____

Discussion Scenario 14

Use the same facts as **Scenario 13,** except Chris discovers that Leonard's previous practitioner has passed away. The previous practitioner's family does not grant access to the practitioner's office for Chris or Leonord to obtain the records.

How should Chris proceed to obtain the records? _____

_____

_____

_____

Eventually, the family grants access to the records at the deceased practitioner's office. Chris goes with Leonard to recover his records. They discover all the practitioner's files are lined up on the floor in rows in such a way that everyone's records are visible to anyone walking in and the only verification done when walking out with records is someone checking photo identification and matching it with the name on the documents.

Does Chris have an obligation to report the practitioner or the estate to the IRS for unauthorized disclosure or anything else in Circular 230? _____

_____

_____

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PUBLICATION OF TAX PREPARATION FEES[46]

Practitioners may publish a fee schedule and the following fee information.

- Fixed fees for specific routine services
- Hourly fee rates
- A fee range for specific services
- The fee for an initial consultation

If the fee schedule or information concerns work where out-of-pocket costs could arise, it should clarify whether clients are responsible for such costs. Once the fee schedule is published, a practitioner can charge **no more** than the published fee rates for **at least 30 calendar days** from the date of publication.

Fee information can be communicated via professional lists, telephone directories, print media, mailings, electronic mail, facsimile, hand-delivered flyers, radio, television, and any other method if it does not result in untruthful or deceptive communication of the information.

When a practitioner uses radio or television broadcasting, they must retain a recording of the actual transmission. For direct mail and e-commerce communications, the practitioner must retain a copy of the actual communication, along with a list or other description of the persons to whom the communication was distributed. The practitioner must keep the copy for at least 36 months from the date of the last transmission or use.

A practitioner must not contact prospective clients who have communicated that they do not wish to be solicited.

46. See Circular 230, §10.30.

Discussion Scenario 15

Grant is an EA in a competitive market. He purchases advertisement space in the newspaper and promotes that he has the lowest rates in town. He will prepare a Form 1040 for the low, low price of $150. The ad runs on February 1.

Gretchen sees the ad and makes an appointment with Grant for February 18. She provides all the relevant tax information for her small sewing business, as well as her husband's Form W-2. She brings her prior year return and her infant son's social security card to prove his dependency. Grant immediately starts preparing her return.

At the end of the appointment, Grant hands Gretchen her return and her bill. She is shocked to see the bill is not the $150 quoted in the paper but rather $500. Grant explains that the $150 rate was only good for the week the ad ran in the paper. Furthermore, the Schedule C he prepared for Gretchen is not considered part of the Form 1040. Grant also charged extra because Gretchen had a dependent and obviously the $150 rate implied no dependents.

Gretchen refused to pay, and Grant refused to return her documents until she paid him the full amount.

How did Grant violate the rules about publishing his fees? _____

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Is it reasonable that Grant charge extra for a Schedule C? Are associated schedules considered part of a Form 1040? Why or why not? _____

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Can Grant refuse to return Gretchen's documents if she refuses to pay? If no, what provision of Circular 230 does this violate? _____

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DEATH OF A TAX PREPARER[47]

Circular 230, §10.33, describes various best practices that a tax practitioner should implement in their practice. This can be extended to preparations a tax practitioner makes before their death to protect the practitioner, their clients, their firm, and their family to avoid violations of privacy and confidentiality.

47. See *Best Practices: How to prepare for and what to do when a tax practitioner dies.* Jun. 27, 2023. IRS. [content.govdelivery.com/accounts/USIRS/bulletins/360ff31] Accessed on Jul. 11, 2023.

Some IRS best practices during engagements with clients include the following.

- Communicate regularly and clearly with clients to manage expectations
- Discuss all significant aspects of the engagement including scope, terms, purposes or objectives, and actions to be taken during and after the engagement (ideally, this is covered in a written engagement letter)
- Provide regular updates and revise the engagement letter if necessary, during the engagement (this would assist in any transition of client matters to another tax practitioner in the event the original practitioner becomes incapacitated or dies)
- Establish clear policies for retention, disposition/destruction, and returning client files to avoid burdening the successor or estate with dealing with the files and records
- Implement a data security and privacy plan

Note. For more information on implementing a data security and privacy plan, see the 2023 *University of Illinois Federal Tax Workbook,* Chapter 1: Written Information Security Plans and Protecting Client Data.

- Adopt a business continuity plan to prepare for extraordinary events such as a natural disaster, cyberattack, pandemic, or the incapacity or death of the tax practitioner

SUCCESSION PLAN

A succession plan for a tax practitioner should address how to handle the sale or termination of a practitioner's business. The succession plan should be shared with clients. Best practices for a succession plan include the following.

- Enter an agreement with an **assisting practitioner** who will be responsible for wrapping up the affairs of the deceased practitioner
- Keep a current inventory of all open client matters and contact information to facilitate an assisting practitioner to quickly determine any client needs and minimize delays in addressing them (documents should be secured with passwords and encryption to which the assisting practitioner has access)
- Ensure that the assisting practitioner can access information and funds to pay bills
- Discuss with clients if they wish to authorize additional practitioners to represent them via Forms 2848 or 8821
- Devise a plan to inform clients in the event of the practitioner's incapacity or death
- Speak with family members regarding the succession plan and any involvement they may have with it

COMMUNICATION AFTER INCAPACITATION OR DEATH

Assuming the practitioner had a succession plan in place prior to their incapacitation or death, the assisting practitioner should implement that plan and communicate with the practitioner's clients and the IRS. If the practitioner did not have a succession plan in place, the responsibilities will likely fall to an executor or administrator of the practitioner's estate.

The communication with the practitioner's clients should include the following.

- Procedures for handling any ongoing client matters or the disposition of client files
- Practitioner's firm or a preapproved successor must ensure all necessary paperwork is completed with the IRS for clients remaining with the firm/successor
- Clients not remaining with the firm/successor should receive their files in a prompt and orderly manner per Circular 230, §10.28
- If the practitioner did not have a succession plan or provide advance notice to their clients, the assisting practitioner should promptly notify each client and confirm arrangements (the assisting practitioner cannot transfer any client files without the expressed consent of the client)

In addition to communicating with clients, the assisting practitioner should consider the following best practices when implementing a succession plan.

- Ensure that no one removes any files without client consent
- Control physical access to the practitioner's premises
- Backup electronic files
- Interview employees, contractors, and vendors to ascertain all known clients and client properties beyond the practitioner's available records
- Publish a notice in local media alerting the public of the office closure and for clients to retain new representation and collect their files
- Keep copies of any necessary documents for the practitioner's estate in the event of any potential claims against the practitioner and to help determine any rights to fees and reimbursable expenses
- Track and confirm that clients received appropriate notice
- Safeguard client confidentiality

Additionally, an assisting practitioner needs to communicate with the IRS that the practitioner is incapacitated or deceased. The assisting practitioner does not need to inform the RPO if the practitioner had a PTIN. Every month, the RPO checks the National Accounts Profile and updates PTIN statuses to "deceased" as necessary. The fiduciary (guardian or trustee with Form 56, *Notice of Fiduciary Relationship,* on file with the IRS) needs to inform the RPO if the practitioner is incapacitated. This will cause the practitioner's PTIN status to be updated to "inactive." If a nonfiduciary, such as the assisting practitioner, informs the RPO regarding the incapacitation, the RPO will log the information and the PTIN will subsequently expire.

The Centralized Authorization File (CAF) unit must also be notified of the practitioner's incapacitation or death. The written request should be sent via fax or mail to the CAF unit identified in the "Where to File" chart in the instructions to Forms 2848 and 8821. The CAF unit will then mark the CAF number for the practitioner as deceased, which will nullify all CAF notifications for the practitioner.

Although a practitioner's employer identification number (EIN) cannot technically be canceled, the assisting practitioner can and should close the business account that is associated with the EIN. The business account can only be closed after all necessary returns are filed and any outstanding taxes paid. To close the account, a letter should be sent to the IRS that includes the following.

- Full legal name of the business
- EIN
- Business address
- Reason for closing the account
- Original notice from the IRS assigning the EIN if available

Discussion Scenario 16

Lon is diagnosed with terminal cancer during 2022. Because he wants the distraction of work and to make sure his family is left with as much money as possible, he continues working until his death in February 2023. Lon tells the clients that he sees about his diagnosis but does not craft a written succession plan. He does, however, identify a fellow practitioner, Margo, as the successor to his practice.

Shortly before he passes away, Lon takes Margo on a tour of his office. He shows her where he keeps the keys to the filing cabinets but assures her that they are usually unlocked. Additionally, Lon points out the sticky notes next to his computer where all his passwords are written down.

Margo is overwhelmed in February when Lon dies due to juggling both her clients and all of Lon's clients whose work he did not complete before his death. She finds it emotionally draining to tell many of Lon's clients about his passing. Margo does not notify the IRS about Lon's death until the middle of May.

What are some best practices that Lon implemented appropriately? _____

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What are some best practices that Lon should have implemented? _____

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What is a reasonable amount of time for Margo to notify the IRS of Lon's death? _____

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Would Lon be considered as releasing client data to Margo without their approval? What about for the clients he told he was terminally ill but did not provide a succession plan in writing? _____

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APPENDIX — CIRCULAR 230

Paragraph 1. The authority citation for 31 CFR, part 10 continues to read as follows:

Authority: Sec. 3, 23 Stat. 258, secs. 2-12, 60 Stat. 237 et. seq.; 5 U.S.C. 301, 500, 551-559; 31 U.S.C. 321; 31 U.S.C. 330; Reorg. Plan No. 26 of 1950, 15 FR 4935, 64 Stat. 1280, 3 CFR, 1949-1953 Comp., p. 1017.

§ 10.0 Scope of part.

(a) This part contains rules governing the recognition of attorneys, certified public accountants, enrolled agents, enrolled retirement plan agents, registered tax return preparers, and other persons representing taxpayers before the Internal Revenue Service. Subpart A of this part sets forth rules relating to the authority to practice before the Internal Revenue Service; subpart B of this part prescribes the duties and restrictions relating to such practice; subpart C of this part prescribes the sanctions for violating the regulations; subpart D of this part contains the rules applicable to disciplinary proceedings; and subpart E of this part contains general provisions relating to the availability of official records.

(b) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

Subpart A — Rules Governing Authority to Practice

§ 10.1 Offices.

(a) *Establishment of office(s)*. The Commissioner shall establish the Office of Professional Responsibility and any other office(s) within the Internal Revenue Service necessary to administer and enforce this part. The Commissioner shall appoint the Director of the Office of Professional Responsibility and any other Internal Revenue official(s) to manage and direct any office(s) established to administer or enforce this part. Offices established under this part include, but are not limited to:

(1) The Office of Professional Responsibility, which shall generally have responsibility for matters related to practitioner conduct and shall have exclusive responsibility for discipline, including disciplinary proceedings and sanctions; and

(2) An office with responsibility for matters related to authority to practice before the Internal Revenue Service, including acting on applications for enrollment to practice before the Internal Revenue Service and administering competency testing and continuing education.

(b) Officers and employees within any office established under this part may perform acts necessary or appropriate to carry out the responsibilities of their office(s) under this part or as otherwise prescribed by the Commissioner.

(c) *Acting.* The Commissioner will designate an officer or employee of the Internal Revenue Service to perform the duties of an individual appointed under paragraph (a) of this section in the absence of that officer or employee or during a vacancy in that office.

(d) *Effective/applicability date.* This section is applicable beginning August 2, 2011, except that paragraph (a)(1) is applicable beginning June 12, 2014.

§ 10.2 Definitions.

(a) As used in this part, except where the text provides otherwise —

(1) *Attorney* means any person who is a member in good standing of the bar of the highest court of any state, territory, or possession of the United States, including a Commonwealth, or the District of Columbia.

(2) *Certified public accountant* means any person who is duly qualified to practice as a certified public accountant in any state, territory, or possession of the United States, including a Commonwealth, or the District of Columbia.

(3) *Commissioner* refers to the Commissioner of Internal Revenue.

(4) *Practice before the Internal Revenue Service* comprehends all matters connected with a presentation to the Internal Revenue Service or any of its officers or employees relating to a taxpayer's rights, privileges, or liabilities under laws or regulations administered by the Internal Revenue Service. Such presentations include, but are not limited to, preparing documents; filing documents; corresponding and communicating with the Internal Revenue Service; rendering written advice with respect to any entity, transaction, plan or arrangement, or other plan or arrangement having a potential for tax avoidance or evasion; and representing a client at conferences, hearings, and meetings.

(5) *Practitioner* means any individual described in paragraphs (a), (b), (c), (d), (e), or (f) of §10.3.

(6) A *tax return* includes an amended tax return and a claim for refund.

(7) *Service* means the Internal Revenue Service.

(8) *Tax return preparer* means any individual within the meaning of section 7701(a)(36) and 26 CFR 301.7701-15.

(b) *Effective/applicability date.* This section is applicable on August 2, 2011.

§ 10.3 Who may practice.

(a) *Attorneys.* Any attorney who is not currently under suspension or disbarment from practice before the Internal Revenue Service may practice before the Internal Revenue Service by filing with the Internal Revenue Service a written declaration that the attorney is currently qualified as an attorney and is authorized to represent the party or parties. Notwithstanding the preceding sentence, attorneys who are not currently under suspension or disbarment from practice before the Internal Revenue Service are not required to file a written declaration with the IRS before rendering written advice covered under §10.37, but their rendering of this advice is practice before the Internal Revenue Service.

(b) *Certified public accountants.* Any certified public accountant who is not currently under suspension or disbarment from practice before the Internal Revenue Service may practice before the Internal Revenue Service by filing with the Internal Revenue Service a written declaration that the certified public accountant is currently qualified as a certified public accountant and is authorized to represent the party or parties. Notwithstanding the preceding sentence, certified public accountants who are not currently under suspension or disbarment from practice before the Internal Revenue Service are not required to file a written declaration with the IRS before rendering written advice covered under §10.37, but their rendering of this advice is practice before the Internal Revenue Service.

(c) *Enrolled agents.* Any individual enrolled as an agent pursuant to this part who is not currently under suspension or disbarment from practice before the Internal Revenue Service may practice before the Internal Revenue Service.

(d) *Enrolled actuaries.*

(1) Any individual who is enrolled as an actuary by the Joint Board for the Enrollment of Actuaries pursuant to 29 U.S.C. 1242 who is not currently under suspension or disbarment from practice before the Internal Revenue Service may practice before the Internal Revenue Service by filing with the Internal Revenue Service a written declaration stating that he or she is currently qualified as an enrolled actuary and is authorized to represent the party or parties on whose behalf he or she acts.

(2) Practice as an enrolled actuary is limited

to representation with respect to issues involving the following statutory provisions in title 26 of the United States Code: sections 401 (relating to qualification of employee plans), 403(a) (relating to whether an annuity plan meets the requirements of section 404(a) (2)), 404 (relating to deductibility of employer contributions), 405 (relating to qualification of bond purchase plans), 412 (relating to funding requirements for certain employee plans), 413 (relating to application of qualification requirements to collectively bargained plans and to plans maintained by more than one employer), 414 (relating to definitions and special rules with respect to the employee plan area), 419 (relating to treatment of funded welfare benefits), 419A (relating to qualified asset accounts), 420 (relating to transfers of excess pension assets to retiree health accounts), 4971 (relating to excise taxes payable as a result of an accumulated funding deficiency under section 412), 4972 (relating to tax on nondeductible contributions to qualified employer plans), 4976 (relating to taxes with respect to funded welfare benefit plans), 4980 (relating to tax on reversion of qualified plan assets to employer), 6057 (relating to annual registration of plans), 6058 (relating to information required in connection with certain plans of deferred compensation), 6059 (relating to periodic report of actuary), 6652(e) (relating to the failure to file annual registration and other notifications by pension plan), 6652(f) (relating to the failure to file information required in connection with certain plans of deferred compensation), 6692 (relating to the failure to file actuarial report), 7805(b) (relating to the extent to which an Internal Revenue Service ruling or determination letter coming under the statutory provisions listed here will be applied without retroactive effect); and 29 U.S.C. § 1083 (relating to the waiver of funding for nonqualified plans).

(3) An individual who practices before the Internal Revenue Service pursuant to paragraph (d) (1) of this section is subject to the provisions of this part in the same manner as attorneys, certified public accountants, enrolled agents, enrolled retirement plan agents, and registered tax return preparers.

(e) *Enrolled retirement plan agents —*

(1) Any individual enrolled as a retirement plan agent pursuant to this part who is not currently under suspension or disbarment from practice before the Internal Revenue Service may practice before the Internal Revenue Service.

(2) Practice as an enrolled retirement plan agent is limited to representation with respect to issues involving the following programs: Employee Plans Determination Letter program; Employee Plans Compliance Resolution System; and Employee Plans Master and Prototype and Volume Submitter program. In addition, enrolled retirement plan agents are generally permitted to represent taxpayers with respect to IRS forms under the 5300 and 5500 series which are filed by retirement plans and plan sponsors, but not with respect to actuarial forms or schedules.

(3) An individual who practices before the Internal Revenue Service pursuant to paragraph (e) (1) of this section is subject to the provisions of this part in the same manner as attorneys, certified public accountants, enrolled agents, enrolled actuaries, and registered tax return preparers.

(f) *Registered tax return preparers.*

(1) Any individual who is designated as a registered tax return preparer pursuant to §10.4(c) of this part who is not currently under suspension or disbarment from practice before the Internal Revenue Service may practice before the Internal Revenue Service.

(2) Practice as a registered tax return preparer is limited to preparing and signing tax returns and claims for refund, and other documents for submission to the Internal Revenue Service. A registered tax return preparer may prepare all or substantially all of a tax return or claim for refund of tax. The Internal Revenue Service will prescribe by forms, instructions, or other appropriate guidance the tax returns and claims for refund that a registered tax return preparer may prepare and sign.

(3) A registered tax return preparer may represent taxpayers before revenue agents, customer service representatives, or similar officers and employees of the Internal Revenue Service (including the Taxpayer Advocate Service) during an examination if the registered tax return preparer signed the tax return

or claim for refund for the taxable year or period under examination. Unless otherwise prescribed by regulation or notice, this right does not permit such individual to represent the taxpayer, regardless of the circumstances requiring representation, before appeals officers, revenue officers, Counsel or similar officers or employees of the Internal Revenue Service or the Treasury Department. A registered tax return preparer's authorization to practice under this part also does not include the authority to provide tax advice to a client or another person except as necessary to prepare a tax return, claim for refund, or other document intended to be submitted to the Internal Revenue Service.

(4) An individual who practices before the Internal Revenue Service pursuant to paragraph (f)(1) of this section is subject to the provisions of this part in the same manner as attorneys, certified public accountants, enrolled agents, enrolled retirement plan agents, and enrolled actuaries.

(g) *Others.* Any individual qualifying under paragraph §10.5(e) or §10.7 is eligible to practice before the Internal Revenue Service to the extent provided in those sections.

(h) *Government officers and employees, and others.* An individual, who is an officer or employee of the executive, legislative, or judicial branch of the United States Government; an officer or employee of the District of Columbia; a Member of Congress; or a Resident Commissioner may not practice before the Internal Revenue Service if such practice violates 18 U.S.C. §§ 203 or 205.

(i) *State officers and employees.* No officer or employee of any State, or subdivision of any State, whose duties require him or her to pass upon, investigate, or deal with tax matters for such State or subdivision, may practice before the Internal Revenue Service, if such employment may disclose facts or information applicable to Federal tax matters.

(j) *Effective/applicability date.* Paragraphs (a), (b), and (g) of this section are applicable beginning June 12, 2014. Paragraphs (c) through (f), (h), and (i) of this section are applicable beginning August 2, 2011.

§ 10.4 Eligibility to become an enrolled agent, enrolled retirement plan agent, or registered tax return preparer.

(a) *Enrollment as an enrolled agent upon examination.* The Commissioner, or delegate, will grant enrollment as an enrolled agent to an applicant eighteen years of age or older who demonstrates special competence in tax matters by written examination administered by, or administered under the oversight of, the Internal Revenue Service, who possesses a current or otherwise valid preparer tax identification number or other prescribed identifying number, and who has not engaged in any conduct that would justify the suspension or disbarment of any practitioner under the provisions of this part.

(b) *Enrollment as a retirement plan agent upon examination.* The Commissioner, or delegate, will grant enrollment as an enrolled retirement plan agent to an applicant eighteen years of age or older who demonstrates special competence in qualified retirement plan matters by written examination administered by, or administered under the oversight of, the Internal Revenue Service, who possesses a current or otherwise valid preparer tax identification number or other prescribed identifying number, and who has not engaged in any conduct that would justify the suspension or disbarment of any practitioner under the provisions of this part.

(c) *Designation as a registered tax return preparer.* The Commissioner, or delegate, may designate an individual eighteen years of age or older as a registered tax return preparer provided an applicant demonstrates competence in Federal tax return preparation matters by written examination administered by, or administered under the oversight of, the Internal Revenue Service, or otherwise meets the requisite standards prescribed by the Internal Revenue Service, possesses a current or otherwise valid preparer tax identification number or other prescribed identifying number, and has not engaged in any conduct that would justify the suspension or disbarment of any practitioner under the provisions of this part.

(d) *Enrollment of former Internal Revenue Service employees.* The Commissioner, or delegate, may

grant enrollment as an enrolled agent or enrolled retirement plan agent to an applicant who, by virtue of past service and technical experience in the Internal Revenue Service, has qualified for such enrollment and who has not engaged in any conduct that would justify the suspension or disbarment of any practitioner under the provisions of this part, under the following circumstances:

(1) The former employee applies for enrollment on an Internal Revenue Service form and supplies the information requested on the form and such other information regarding the experience and training of the applicant as may be relevant.

(2) The appropriate office of the Internal Revenue Service provides a detailed report of the nature and rating of the applicant's work while employed by the Internal Revenue Service and a recommendation whether such employment qualifies the applicant technically or otherwise for the desired authorization.

(3) Enrollment as an enrolled agent based on an applicant's former employment with the Internal Revenue Service may be of unlimited scope or it may be limited to permit the presentation of matters only of the particular specialty or only before the particular unit or division of the Internal Revenue Service for which the applicant's former employment has qualified the applicant. Enrollment as an enrolled retirement plan agent based on an applicant's former employment with the Internal Revenue Service will be limited to permit the presentation of matters only with respect to qualified retirement plan matters.

(4) Application for enrollment as an enrolled agent or enrolled retirement plan agent based on an applicant's former employment with the Internal Revenue Service must be made within three years from the date of separation from such employment.

(5) An applicant for enrollment as an enrolled agent who is requesting such enrollment based on former employment with the Internal Revenue Service must have had a minimum of five years continuous employment with the Internal Revenue Service during which the applicant must have been regularly engaged in applying and interpreting the provisions of the Internal Revenue Code and the regulations relating to income, estate, gift, employment, or excise taxes.

(6) An applicant for enrollment as an enrolled retirement plan agent who is requesting such enrollment based on former employment with the Internal Revenue Service must have had a minimum of five years continuous employment with the Internal Revenue Service during which the applicant must have been regularly engaged in applying and interpreting the provisions of the Internal Revenue Code and the regulations relating to qualified retirement plan matters.

(7) For the purposes of paragraphs (d)(5) and (6) of this section, an aggregate of 10 or more years of employment in positions involving the application and interpretation of the provisions of the Internal Revenue Code, at least three of which occurred within the five years preceding the date of application, is the equivalent of five years continuous employment.

(e) *Natural persons*. Enrollment to practice may be granted only to natural persons.

(f) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.5 Application to become an enrolled agent, enrolled retirement plan agent, or registered tax return preparer.

(a) *Form; address.* An applicant to become an enrolled agent, enrolled retirement plan agent, or registered tax return preparer must apply as required by forms or procedures established and published by the Internal Revenue Service, including proper execution of required forms under oath or affirmation. The address on the application will be the address under which a successful applicant is enrolled or registered and is the address to which all correspondence concerning enrollment or registration will be sent.

(b) *Fee.* A reasonable nonrefundable fee may be charged for each application to become an enrolled agent, enrolled retirement plan agent, or registered tax return preparer. See 26 CFR part 300.

(c) *Additional information; examination.* The Internal Revenue Service may require the applicant, as a condition to consideration of an application, to file

additional information and to submit to any written or oral examination under oath or otherwise. Upon the applicant's written request, the Internal Revenue Service will afford the applicant the opportunity to be heard with respect to the application.

(d) *Compliance and suitability checks.*

(1) As a condition to consideration of an application, the Internal Revenue Service may conduct a Federal tax compliance check and suitability check. The tax compliance check will be limited to an inquiry regarding whether an applicant has filed all required individual or business tax returns and whether the applicant has failed to pay, or make proper arrangements with the Internal Revenue Service for payment of, any Federal tax debts. The suitability check will be limited to an inquiry regarding whether an applicant has engaged in any conduct that would justify suspension or disbarment of any practitioner under the provisions of this part on the date the application is submitted, including whether the applicant has engaged in disreputable conduct as defined in §10.51. The application will be denied only if the results of the compliance or suitability check are sufficient to establish that the practitioner engaged in conduct subject to sanctions under §§10.51 and 10.52.

(2) If the applicant does not pass the tax compliance or suitability check, the applicant will not be issued an enrollment or registration card or certificate pursuant to §10.6(b) of this part. An applicant who is initially denied enrollment or registration for failure to pass a tax compliance check may reapply after the initial denial if the applicant becomes current with respect to the applicant's tax liabilities.

(e) *Temporary recognition.* On receipt of a properly executed application, the Commissioner, or delegate, may grant the applicant temporary recognition to practice pending a determination as to whether status as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer should be granted. Temporary recognition will be granted only in unusual circumstances and it will not be granted, in any circumstance, if the application is not regular on its face, if the information stated in the application, if true, is not sufficient to warrant granting the application to practice, or the Commissioner, or delegate, has information indicating that the statements in the application are untrue or that the applicant would not otherwise qualify to become an enrolled agent, enrolled retirement plan agent, or registered tax return preparer. Issuance of temporary recognition does not constitute either a designation or a finding of eligibility as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer, and the temporary recognition may be withdrawn at any time.

(f) *Protest of application denial.* The applicant will be informed in writing as to the reason(s) for any denial of an application. The applicant may, within 30 days after receipt of the notice of denial of the application, file a written protest of the denial as prescribed by the Internal Revenue Service in forms, guidance, or other appropriate guidance. A protest under this section is not governed by subpart D of this part.

(f) *Effective/applicability date.* This section is applicable to applications received on or after August 2, 2011.

§ 10.6 Term and renewal of status as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer.

(a) *Term.* Each individual authorized to practice before the Internal Revenue Service as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer will be accorded active enrollment or registration status subject to renewal of enrollment or registration as provided in this part.

(b) *Enrollment or registration card or certificate.* The Internal Revenue Service will issue an enrollment or registration card or certificate to each individual whose application to practice before the Internal Revenue Service is approved. Each card or certificate will be valid for the period stated on the card or certificate. An enrolled agent, enrolled retirement plan agent, or registered tax return preparer may not practice before the Internal Revenue Service if the card or certificate is not current or otherwise

valid. The card or certificate is in addition to any notification that may be provided to each individual who obtains a preparer tax identification number.

(c) *Change of address.* An enrolled agent, enrolled retirement plan agent, or registered tax return preparer must send notification of any change of address to the address specified by the Internal Revenue Service within 60 days of the change of address. This notification must include the enrolled agent's, enrolled retirement plan agent's, or registered tax return preparer's name, prior address, new address, tax identification number(s) (including preparer tax identification number), and the date the change of address is effective. Unless this notification is sent, the address for purposes of any correspondence from the appropriate Internal Revenue Service office responsible for administering this part shall be the address reflected on the practitioner's most recent application for enrollment or registration, or application for renewal of enrollment or registration. A practitioner's change of address notification under this part will not constitute a change of the practitioner's last known address for purposes of section 6212 of the Internal Revenue Code and regulations thereunder.

(d) *Renewal.*

(1) *In general*. Enrolled agents, enrolled retirement plan agents, and registered tax return preparers must renew their status with the Internal Revenue Service to maintain eligibility to practice before the Internal Revenue Service. Failure to receive notification from the Internal Revenue Service of the renewal requirement will not be justification for the individual's failure to satisfy this requirement.

(2) *Renewal period for enrolled agents.*

(i) All enrolled agents must renew their preparer tax identification number as prescribed by forms, instructions, or other appropriate guidance.

(ii) Enrolled agents who have a social security number or tax identification number that ends with the numbers 0, 1, 2, or 3, except for those individuals who received their initial enrollment after November 1, 2003, must apply for renewal between November 1, 2003, and January 31, 2004. The renewal will be effective April 1, 2004.

(iii) Enrolled agents who have a social security number or tax identification number that ends with the numbers 4, 5, or 6, except for those individuals who received their initial enrollment after November 1, 2004, must apply for renewal between November 1, 2004, and January 31, 2005. The renewal will be effective April 1, 2005.

(iv) Enrolled agents who have a social security number or tax identification number that ends with the numbers 7, 8, or 9, except for those individuals who received their initial enrollment after November 1, 2005, must apply for renewal between November 1, 2005, and January 31, 2006. The renewal will be effective April 1, 2006.

(v) Thereafter, applications for renewal as an enrolled agent will be required between November 1 and January 31 of every subsequent third year as specified in paragraph (d)(2)(i), (d)(2)(ii), or (d)(2)(iii) of this section according to the last number of the individual's social security number or tax identification number. Those individuals who receive initial enrollment as an enrolled agent after November 1 and before April 2 of the applicable renewal period will not be required to renew their enrollment before the first full renewal period following the receipt of their initial enrollment.

(3) *Renewal period for enrolled retirement plan agents.*

(i) All enrolled retirement plan agents must renew their preparer tax identification number as prescribed by the Internal Revenue Service in forms, instructions, or other appropriate guidance.

(ii) Enrolled retirement plan agents will be required to renew their status as enrolled retirement plan agents between April 1 and June 30 of every third year subsequent to their initial enrollment.

(4) *Renewal period for registered tax return preparers.* Registered tax return preparers must renew their preparer tax identification number and their status as a registered tax return preparer as prescribed by the Internal Revenue Service in forms, instructions, or other appropriate guidance.

(5) *Notification of renewal.* After review and approval, the Internal Revenue Service will notify

the individual of the renewal and will issue the individual a card or certificate evidencing current status as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer.

(6) *Fee*. A reasonable nonrefundable fee may be charged for each application for renewal filed. See 26 CFR part 300.

(7) *Forms.* Forms required for renewal may be obtained by sending a written request to the address specified by the Internal Revenue Service or from such other source as the Internal Revenue Service will publish in the Internal Revenue Bulletin (see 26 CFR 601.601(d)(2)(ii)(b)) and on the Internal Revenue Service webpage (www.irs.gov).

(e) *Condition for renewal*: continuing education. In order to qualify for renewal as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer, an individual must certify, in the manner prescribed by the Internal Revenue Service, that the individual has satisfied the requisite number of continuing education hours.

(1) *Definitions*. For purposes of this section —

(i) *Enrollment year* means January 1 to December 31 of each year of an enrollment cycle.

(ii) *Enrollment cycle* means the three successive enrollment years preceding the effective date of renewal.

(iii) *Registration year* means each 12-month period the registered tax return preparer is authorized to practice before the Internal Revenue Service.

(iv) *The effective date of renewal* is the first day of the fourth month following the close of the period for renewal described in paragraph (d) of this section.

(2) *For renewed enrollment as an enrolled agent or enrolled retirement plan agent —*

(i) *Requirements for enrollment cycle*. A minimum of 72 hours of continuing education credit, including six hours of ethics or professional conduct, must be completed during each enrollment cycle.

(ii) *Requirements for enrollment year*. A minimum of 16 hours of continuing education credit, including two hours of ethics or professional conduct, must be completed during each enrollment year of an enrollment cycle.

(iii) *Enrollment during enrollment cycle —*

(A) *In general*. Subject to paragraph (e)(2)(iii)(B) of this section, an individual who receives initial enrollment during an enrollment cycle must complete two hours of qualifying continuing education credit for each month enrolled during the enrollment cycle. Enrollment for any part of a month is considered enrollment for the entire month.

(B) *Ethics*. An individual who receives initial enrollment during an enrollment cycle must complete two hours of ethics or professional conduct for each enrollment year during the enrollment cycle. Enrollment for any part of an enrollment year is considered enrollment for the entire year.

(3) *Requirements for renewal as a registered tax return preparer*. A minimum of 15 hours of continuing education credit, including two hours of ethics or professional conduct, three hours of Federal tax law updates, and 10 hours of Federal tax law topics, must be completed during each registration year.

(f) *Qualifying continuing education —*

(1) *General —*

(i) *Enrolled agents*. To qualify for continuing education credit for an enrolled agent, a course of learning must —

(A) Be a qualifying continuing education program designed to enhance professional knowledge in Federal taxation or Federal tax related matters (programs comprised of current subject matter in Federal taxation or Federal tax related matters, including accounting, tax return preparation software, taxation, or ethics); and

(B) Be a qualifying continuing education program consistent with the Internal Revenue Code and effective tax administration.

(ii) *Enrolled retirement plan agents*. To qualify for continuing education credit for an enrolled retirement plan agent, a course of learning must —

(A) Be a qualifying continuing education program designed to enhance professional knowledge in qualified retirement plan matters; and

(B) Be a qualifying continuing education program consistent with the Internal Revenue Code and effective tax administration.

(iii) *Registered tax return preparers*. To

qualify for continuing education credit for a registered tax return preparer, a course of learning must —

(A) Be a qualifying continuing education program designed to enhance professional knowledge in Federal taxation or Federal tax related matters (programs comprised of current subject matter in Federal taxation or Federal tax related matters, including accounting, tax return preparation software, taxation, or ethics); and

(B) Be a qualifying continuing education program consistent with the Internal Revenue Code and effective tax administration.

(2) *Qualifying programs* —

(i) *Formal programs*. A formal program qualifies as a continuing education program if it —

(A) Requires attendance and provides each attendee with a certificate of attendance;

(B) Is conducted by a qualified instructor, discussion leader, or speaker (in other words, a person whose background, training, education, and experience is appropriate for instructing or leading a discussion on the subject matter of the particular program);

(C) Provides or requires a written outline, textbook, or suitable electronic educational materials; and

(D) Satisfies the requirements established for a qualified continuing education program pursuant to §10.9.

(ii) *Correspondence or individual study programs (including taped programs)*. Qualifying continuing education programs include correspondence or individual study programs that are conducted by continuing education providers and completed on an individual basis by the enrolled individual. The allowable credit hours for such programs will be measured on a basis comparable to the measurement of a seminar or course for credit in an accredited educational institution. Such programs qualify as continuing education programs only if they —

(A) Require registration of the participants by the continuing education provider;

(B) Provide a means for measuring successful completion by the participants (for example, a written examination), including the issuance of a certificate of completion by the continuing education provider;

(C) Provide a written outline, textbook, or suitable electronic educational materials; and

(D) Satisfy the requirements established for a qualified continuing education program pursuant to §10.9.

(iii) *Serving as an instructor, discussion leader or speaker*.

(A) One hour of continuing education credit will be awarded for each contact hour completed as an instructor, discussion leader, or speaker at an educational program that meets the continuing education requirements of paragraph (f) of this section.

(B) A maximum of two hours of continuing education credit will be awarded for actual subject preparation time for each contact hour completed as an instructor, discussion leader, or speaker at such programs. It is the responsibility of the individual claiming such credit to maintain records to verify preparation time.

(C) The maximum continuing education credit for instruction and preparation may not exceed four hours annually for registered tax return preparers and six hours annually for enrolled agents and enrolled retirement plan agents.

(D) An instructor, discussion leader, or speaker who makes more than one presentation on the same subject matter during an enrollment cycle or registration year will receive continuing education credit for only one such presentation for the enrollment cycle or registration year.

(3) *Periodic examination*. Enrolled Agents and Enrolled Retirement Plan Agents may establish eligibility for renewal of enrollment for any enrollment cycle by —

(i) Achieving a passing score on each part of the Special Enrollment Examination administered under this part during the three year period prior to renewal; and

(ii) Completing a minimum of 16 hours of qualifying continuing education during the last year of an enrollment cycle.

(g) *Measurement of continuing education coursework*.

(1) All continuing education programs will be measured in terms of contact hours. The shortest recognized program will be one contact hour.

(2) A contact hour is 50 minutes of continuous participation in a program. Credit is granted only for a full contact hour, which is 50 minutes or multiples thereof. For example, a program lasting more than 50 minutes but less than 100 minutes will count as only one contact hour.

(3) Individual segments at continuous conferences, conventions and the like will be considered one total program. For example, two 90-minute segments (180 minutes) at a continuous conference will count as three contact hours.

(4) For university or college courses, each semester hour credit will equal 15 contact hours and a quarter hour credit will equal 10 contact hours.

(h) *Recordkeeping requirements*.

(1) Each individual applying for renewal must retain for a period of four years following the date of renewal the information required with regard to qualifying continuing education credit hours. Such information includes —

(i) The name of the sponsoring organization;

(ii) The location of the program;

(iii) The title of the program, qualified program number, and description of its content;

(iv) Written outlines, course syllibi, textbook, and/or electronic materials provided or required for the course;

(v) The dates attended;

(vi) The credit hours claimed;

(vii) The name(s) of the instructor(s), discussion leader(s), or speaker(s), if appropriate; and

(viii) The certificate of completion and/or signed statement of the hours of attendance obtained from the continuing education provider.

(2) To receive continuing education credit for service completed as an instructor, discussion leader, or speaker, the following information must be maintained for a period of four years following the date of renewal —

(i) The name of the sponsoring organization;

(ii) The location of the program;

(iii) The title of the program and copy of its content;

(iv) The dates of the program; and

(v) The credit hours claimed.

(i) *Waivers*.

(1) Waiver from the continuing education requirements for a given period may be granted for the following reasons —

(i) Health, which prevented compliance with the continuing education requirements;

(ii) Extended active military duty;

(iii) Absence from the United States for an extended period of time due to employment or other reasons, provided the individual does not practice before the Internal Revenue Service during such absence; and

(iv) Other compelling reasons, which will be considered on a case-by-case basis.

(2) A request for waiver must be accompanied by appropriate documentation. The individual is required to furnish any additional documentation or explanation deemed necessary. Examples of appropriate documentation could be a medical certificate or military orders.

(3) A request for waiver must be filed no later than the last day of the renewal application period.

(4) If a request for waiver is not approved, the individual will be placed in inactive status. The individual will be notified that the waiver was not approved and that the individual has been placed on a roster of inactive enrolled agents, enrolled retirement plan agents, or registered tax return preparers.

(5) If the request for waiver is not approved, the individual may file a protest as prescribed by the Internal Revenue Service in forms, instructions, or other appropriate guidance. A protest filed under this section is not governed by subpart D of this part.

(6) If a request for waiver is approved, the individual will be notified and issued a card or certificate evidencing renewal.

(7) Those who are granted waivers are required to file timely applications for renewal of enrollment or registration.

(j) *Failure to comply*.

(1) Compliance by an individual with the requirements of this part is determined by the Internal Revenue Service. The Internal Revenue Service will provide notice to any individual who fails to meet the continuing education and fee requirements of eligibility for renewal. The notice will state the basis for the determination of noncompliance and will provide the individual an opportunity to furnish the requested information in writing relating to the matter within 60 days of the date of the notice. Such information will be considered in making a final determination as to eligibility for renewal. The individual must be informed of the reason(s) for any denial of a renewal. The individual may, within 30 days after receipt of the notice of denial of renewal, file a written protest of the denial as prescribed by the Internal Revenue Service in forms, instructions, or other appropriate guidance. A protest under this section is not governed by subpart D of this part.

(2) The continuing education records of an enrolled agent, enrolled retirement plan agent, or registered tax return preparer may be reviewed to determine compliance with the requirements and standards for renewal as provided in paragraph (f) of this section. As part of this review, the enrolled agent, enrolled retirement plan agent or registered tax return preparer may be required to provide the Internal Revenue Service with copies of any continuing education records required to be maintained under this part. If the enrolled agent, enrolled retirement plan agent or registered tax return preparer fails to comply with this requirement, any continuing education hours claimed may be disallowed.

(3) An individual who has not filed a timely application for renewal, who has not made a timely response to the notice of noncompliance with the renewal requirements, or who has not satisfied the requirements of eligibility for renewal will be placed on a roster of inactive enrolled individuals or inactive registered individuals. During this time, the individual will be ineligible to practice before the Internal Revenue Service.

(4) Individuals placed in inactive status and individuals ineligible to practice before the Internal Revenue Service may not state or imply that they are eligible to practice before the Internal Revenue Service, or use the terms enrolled agent, enrolled retirement plan agent, or registered tax return preparer, the designations "EA" or "ERPA" or other form of reference to eligibility to practice before the Internal Revenue Service.

(5) An individual placed in inactive status may be reinstated to an active status by filing an application for renewal and providing evidence of the completion of all required continuing education hours for the enrollment cycle or registration year. Continuing education credit under this paragraph (j)(5) may not be used to satisfy the requirements of the enrollment cycle or registration year in which the individual has been placed back on the active roster.

(6) An individual placed in inactive status must file an application for renewal and satisfy the requirements for renewal as set forth in this section within three years of being placed in inactive status. Otherwise, the name of such individual will be removed from the inactive status roster and the individual's status as an enrolled agent, enrolled retirement plan agent, or registered tax return preparer will terminate. Future eligibility for active status must then be reestablished by the individual as provided in this section.

(7) Inactive status is not available to an individual who is the subject of a pending disciplinary matter before the Internal Revenue Service.

(k) *Inactive retirement status*. An individual who no longer practices before the Internal Revenue Service may request to be placed in an inactive retirement status at any time and such individual will be placed in an inactive retirement status. The individual will be ineligible to practice before the Internal Revenue Service. An individual who is placed in an inactive retirement status may be reinstated to an active status by filing an application for renewal and providing evidence of the completion of the required continuing education hours for the enrollment cycle or registration year. Inactive retirement status is not available to an individual who is ineligible to practice before the Internal Revenue Service or an individual who is the subject of a pending disciplinary matter under this part.

(l) *Renewal while under suspension or disbarment.* An individual who is ineligible to practice before the Internal Revenue Service by virtue of disciplinary action under this part is required to conform to the requirements for renewal of enrollment or registration before the individual's eligibility is restored.

(m) *Enrolled actuaries.* The enrollment and renewal of enrollment of actuaries authorized to practice under paragraph (d) of §10.3 are governed by the regulations of the Joint Board for the Enrollment of Actuaries at 20 CFR 901.1 through 901.72.

(n) *Effective/applicability date.* This section is applicable to enrollment or registration effective beginning August 2, 2011.

§ 10.7 Representing oneself; participating in rulemaking; limited practice; and special appearances.

(a) *Representing oneself.* Individuals may appear on their own behalf before the Internal Revenue Service provided they present satisfactory identification.

(b) *Participating in rulemaking.* Individuals may participate in rulemaking as provided by the Administrative Procedure Act. See 5 U.S.C. § 553.

(c) *Limited practice —*

(1) *In general.* Subject to the limitations in paragraph (c)(2) of this section, an individual who is not a practitioner may represent a taxpayer before the Internal Revenue Service in the circumstances described in this paragraph (c)(1), even if the taxpayer is not present, provided the individual presents satisfactory identification and proof of his or her authority to represent the taxpayer. The circumstances described in this paragraph (c)(1) are as follows:

(i) An individual may represent a member of his or her immediate family.

(ii) A regular full-time employee of an individual employer may represent the employer.

(iii) A general partner or a regular full-time employee of a partnership may represent the partnership.

(iv) A bona fide officer or a regular full-time employee of a corporation (including a parent, subsidiary, or other affiliated corporation), association, or organized group may represent the corporation, association, or organized group.

(v) A regular full-time employee of a trust, receivership, guardianship, or estate may represent the trust, receivership, guardianship, or estate.

(vi) An officer or a regular employee of a governmental unit, agency, or authority may represent the governmental unit, agency, or authority in the course of his or her official duties.

(vii) An individual may represent any individual or entity, who is outside the United States, before personnel of the Internal Revenue Service when such representation takes place outside the United States.

(2) *Limitations*.

(i) An individual who is under suspension or disbarment from practice before the Internal Revenue Service may not engage in limited practice before the Internal Revenue Service under paragraph (c)(1) of this section.

(ii) The Commissioner, or delegate, may, after notice and opportunity for a conference, deny eligibility to engage in limited practice before the Internal Revenue Service under paragraph (c)(1) of this section to any individual who has engaged in conduct that would justify a sanction under §10.50.

(iii) An individual who represents a taxpayer under the authority of paragraph (c)(1) of this section is subject, to the extent of his or her authority, to such rules of general applicability regarding standards of conduct and other matters as prescribed by the Internal Revenue Service.

(d) *Special appearances*. The Commissioner, or delegate, may, subject to conditions deemed appropriate, authorize an individual who is not otherwise eligible to practice before the Internal Revenue Service to represent another person in a particular matter.

(e) *Fiduciaries*. For purposes of this part, a fiduciary (for example, a trustee, receiver, guardian, personal representative, administrator, or executor) is considered to be the taxpayer and not a representative of the taxpayer.

(f) *Effective/applicability date*. This section is applicable beginning August 2, 2011.

§ 10.8 Return preparation and application of rules to other individuals.

(a) *Preparing all or substantially all of a tax return*. Any individual who for compensation prepares or assists with the preparation of all or substantially all of a tax return or claim for refund must have a preparer tax identification number. Except as otherwise prescribed in forms, instructions, or other appropriate guidance, an individual must be an attorney, certified public accountant, enrolled agent, or registered tax return preparer to obtain a preparer tax identification number. Any individual who for compensation prepares or assists with the preparation of all or substantially all of a tax return or claim for refund is subject to the duties and restrictions relating to practice in subpart B, as well as subject to the sanctions for violation of the regulations in subpart C.

(b) *Preparing a tax return and furnishing information*. Any individual may for compensation prepare or assist with the preparation of a tax return or claim for refund (provided the individual prepares less than substantially all of the tax return or claim for refund), appear as a witness for the taxpayer before the Internal Revenue Service, or furnish information at the request of the Internal Revenue Service or any of its officers or employees.

(c) *Application of rules to other individuals*. Any individual who for compensation prepares, or assists in the preparation of, all or a substantial portion of a document pertaining to any taxpayer's tax liability for submission to the Internal Revenue Service is subject to the duties and restrictions relating to practice in subpart B, as well as subject to the sanctions for violation of the regulations in subpart C. Unless otherwise a practitioner, however, an individual may not for compensation prepare, or assist in the preparation of, all or substantially all of a tax return or claim for refund, or sign tax returns and claims for refund. For purposes of this paragraph, an individual described in 26 CFR 301.7701-15(f) is not treated as having prepared all or a substantial portion of the document by reason of such assistance.

(d) *Effective/applicability date*. This section is applicable beginning August 2, 2011.

§ 10.9 Continuing education providers and continuing education programs.

(a) *Continuing education providers —*

(1) *In general*. Continuing education providers are those responsible for presenting continuing education programs. A continuing education provider must —

(i) Be an accredited educational institution;

(ii) Be recognized for continuing education purposes by the licensing body of any State, territory, or possession of the United States, including a Commonwealth, or the District of Columbia;

(iii) Be recognized and approved by a qualifying organization as a provider of continuing education on subject matters within §10.6(f) of this part. The Internal Revenue Service may, at its discretion, identify a professional organization, society or business entity that maintains minimum education standards comparable to those set forth in this part as a qualifying organization for purposes of this part in appropriate forms, instructions, and other appropriate guidance; or

(iv) Be recognized by the Internal Revenue Service as a professional organization, society, or business whose programs include offering continuing professional education opportunities in subject matters within §10.6(f) of this part. The Internal Revenue Service, at its discretion, may require such professional organizations, societies, or businesses to file an agreement and/or obtain Internal Revenue Service approval of each program as a qualified continuing education program in appropriate forms, instructions or other appropriate guidance.

(2) *Continuing education provider numbers —*

(i) *In general*. A continuing education provider is required to obtain a continuing education provider number and pay any applicable user fee.

(ii) *Renewal*. A continuing education provider maintains its status as a continuing education provider during the continuing education provider cycle by renewing its continuing education provider number as prescribed by forms, instructions or other appropriate guidance and paying any applicable user fee.

(3) *Requirements for qualified continuing education programs*. A continuing education provider must ensure the qualified continuing education program complies with all the following requirements —

(i) Programs must be developed by individual(s) qualified in the subject matter;

(ii) Program subject matter must be current;

(iii) Instructors, discussion leaders, and speakers must be qualified with respect to program content;

(iv) Programs must include some means for evaluation of the technical content and presentation to be evaluated;

(v) Certificates of completion bearing a current qualified continuing education program number issued by the Internal Revenue Service must be provided to the participants who successfully complete the program; and

(vi) Records must be maintained by the continuing education provider to verify the participants who attended and completed the program for a period of four years following completion of the program. In the case of continuous conferences, conventions, and the like, records must be maintained to verify completion of the program and attendance by each participant at each segment of the program.

(4) *Program numbers* —

(i) *In general*. Every continuing education provider is required to obtain a continuing education provider program number and pay any applicable user fee for each program offered. Program numbers shall be obtained as prescribed by forms, instructions or other appropriate guidance. Although, at the discretion of the Internal Revenue Service, a continuing education provider may be required to demonstrate that the program is designed to enhance professional knowledge in Federal taxation or Federal tax related matters (programs comprised of current subject matter in Federal taxation or Federal tax related matters, including accounting, tax return preparation software, taxation, or ethics) and complies with the requirements in paragraph (a)(2)of this section before a program number is issued.

(ii) *Update programs*. Update programs may use the same number as the program subject to update. An update program is a program that instructs on a change of existing law occurring within one year of the update program offering. The qualifying education program subject to update must have been offered within the two year time period prior to the change in existing law.

(iii) *Change in existing law*. A change in existing law means the effective date of the statute or regulation, or date of entry of judicial decision, that is the subject of the update.

(b) *Failure to comply*. Compliance by a continuing education provider with the requirements of this part is determined by the Internal Revenue Service. A continuing education provider who fails to meet the requirements of this part will be notified by the Internal Revenue Service. The notice will state the basis for the determination of noncompliance and will provide the continuing education provider an opportunity to furnish the requested information in writing relating to the matter within 60 days of the date of the notice. The continuing education provider may, within 30 days after receipt of the notice of denial, file a written protest as prescribed by the Internal Revenue Service in forms, instructions, or other appropriate guidance. A protest under this section is not governed by subpart D of this part.

(c) *Effective/applicability date*. This section is applicable beginning August 2, 2011.

Subpart B — Duties and Restrictions Relating to Practice Before the Internal Revenue Service

§ 10.20 Information to be furnished.

(a) *To the Internal Revenue Service.*

(1) A practitioner must, on a proper and lawful request by a duly authorized officer or employee of the Internal Revenue Service, promptly submit records or information in any matter before the Internal Revenue Service unless the practitioner believes in good faith and on reasonable grounds that the records or information are privileged.

(2) Where the requested records or information are not in the possession of, or subject to the control of, the practitioner or the practitioner's client, the practitioner must promptly notify the requesting Internal Revenue Service officer or employee and the practitioner must provide any information that the practitioner has regarding the identity of any person who the practitioner believes may have possession or control of the requested records or information. The practitioner must make reasonable inquiry of his or her client regarding the identity of any person who may have possession or control of the requested records or information, but the practitioner is not required to make inquiry of any other person or independently verify any information provided by the practitioner's client regarding the identity of such persons.

(3) When a proper and lawful request is made by a duly authorized officer or employee of the Internal Revenue Service, concerning an inquiry into an alleged violation of the regulations in this part, a practitioner must provide any information the practitioner has concerning the alleged violation and testify regarding this information in any proceeding instituted under this part, unless the practitioner believes in good faith and on reasonable grounds that the information is privileged.

(b) *Interference with a proper and lawful request for records or information.* A practitioner may not interfere, or attempt to interfere, with any proper and lawful effort by the Internal Revenue Service, its officers or employees, to obtain any record or information unless the practitioner believes in good faith and on reasonable grounds that the record or information is privileged.

(c) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.21 Knowledge of client's omission.

A practitioner who, having been retained by a client with respect to a matter administered by the Internal Revenue Service, knows that the client has not complied with the revenue laws of the United States or has made an error in or omission from any return, document, affidavit, or other paper which the client submitted or executed under the revenue laws of the United States, must advise the client promptly of the fact of such noncompliance, error, or omission. The practitioner must advise the client of the consequences as provided under the Code and regulations of such noncompliance, error, or omission.

§ 10.22 Diligence as to accuracy.

(a) *In general.* A practitioner must exercise due diligence —

(1) In preparing or assisting in the preparation of, approving, and filing tax returns, documents, affidavits, and other papers relating to Internal Revenue Service matters;

(2) In determining the correctness of oral or written representations made by the practitioner to the Department of the Treasury; and

(3) In determining the correctness of oral or written representations made by the practitioner to clients with reference to any matter administered by the Internal Revenue Service.

(b) *Reliance on others.* Except as modified by §§10.34 and 10.37, a practitioner will be presumed to have exercised due diligence for purposes of this section if the practitioner relies on the work product of another person and the practitioner used reasonable care in engaging, supervising, training, and evaluating the person, taking proper account of the nature of the relationship between the practitioner and the person.

(c) *Effective/applicability date.* Paragraph (a) of this section is applicable on September 26, 2007. Paragraph (b) of this section is applicable beginning June 12, 2014.

§ 10.23 Prompt disposition of pending matters.

A practitioner may not unreasonably delay the prompt disposition of any matter before the Internal Revenue Service.

§ 10.24 Assistance from or to disbarred or suspended persons and former Internal Revenue Service employees.

A practitioner may not, knowingly and directly or indirectly:

(a) Accept assistance from or assist any person who is under disbarment or suspension from practice before the Internal Revenue Service if the assistance relates to a matter or matters constituting practice before the Internal Revenue Service.

(b) Accept assistance from any former government employee where the provisions of § 10.25 or any Federal law would be violated.

§ 10.25 Practice by former government employees, their partners and their associates.

(a) *Definitions.* For purposes of this section —

(1) *Assist* means to act in such a way as to advise, furnish information to, or otherwise aid another person, directly, or indirectly.

(2) *Government employee* is an officer or employee of the United States or any agency of the United States, including a special Government employee as defined in *18 U.S.C. 202(a)*, or of the District of Columbia, or of any State, or a member of Congress or of any State legislature.

(3) *Member of a firm* is a sole practitioner or an employee or associate thereof, or a partner, stockholder, associate, affiliate or employee of a partnership, joint venture, corporation, professional association or other affiliation of two or more practitioners who represent nongovernmental parties.

(4) *Particular matter involving specific parties* is defined at 5 CFR 2637.201(c), or superseding post-employment regulations issued by the U.S. Office of Government Ethics.

(5) *Rule* includes Treasury regulations, whether issued or under preparation for issuance as notices of proposed rulemaking or as Treasury decisions, revenue rulings, and revenue procedures published in the Internal Revenue Bulletin (see *26 CFR 601.601(d)(2)(ii)(b)*).

(b) *General rules —*

(1) No former Government employee may, subsequent to Government employment, represent anyone in any matter administered by the Internal Revenue Service if the representation would violate *18 U.S.C. 207* or any other laws of the United States.

(2) No former Government employee who personally and substantially participated in a particular matter involving specific parties may, subsequent to Government employment, represent or knowingly assist, in that particular matter, any person who is or was a specific party to that particular matter.

(3) A former Government employee who within a period of one year prior to the termination of Government employment had official responsibility for a particular matter involving specific parties may not, within two years after Government employment is ended, represent in that particular matter any person who is or was a specific party to that particular matter.

(4) No former Government employee may, within one year after Government employment is ended, communicate with or appear before, with the intent to influence, any employee of the Treasury Department in connection with the publication, withdrawal, amendment, modification, or interpretation of a rule the development of which the former Government employee participated in, or for which, within a period of one year prior to the termination of Government employment, the former government employee had official responsibility. This paragraph (b)(4) does not, however, preclude any former employee from appearing on one's own behalf or from representing a taxpayer before the Internal Revenue Service in connection with a particular matter involving specific

parties involving the application or interpretation of a rule with respect to that particular matter, provided that the representation is otherwise consistent with the other provisions of this section and the former employee does not utilize or disclose any confidential information acquired by the former employee in the development of the rule.

(c) *Firm representation* —

(1) No member of a firm of which a former Government employee is a member may represent or knowingly assist a person who was or is a specific party in any particular matter with respect to which the restrictions of paragraph (b)(2) of this section apply to the former Government employee, in that particular matter, unless the firm isolates the former Government employee in such a way to ensure that the former Government employee cannot assist in the representation.

(2) When isolation of a former Government employee is required under paragraph (c)(1) of this section, a statement affirming the fact of such isolation must be executed under oath by the former Government employee and by another member of the firm acting on behalf of the firm. The statement must clearly identify the firm, the former Government employee, and the particular matter(s) requiring isolation. The statement must be retained by the firm and, upon request, provided to the office(s) of the Internal Revenue Service administering or enforcing this part.

(d) *Pending representation.* The provisions of this regulation will govern practice by former Government employees, their partners and associates with respect to representation in particular matters involving specific parties where actual representation commenced before the effective date of this regulation.

(e) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.26 Notaries.

A practitioner may not take acknowledgments, administer oaths, certify papers, or perform any official act as a notary public with respect to any matter administered by the Internal Revenue Service and for which he or she is employed as counsel, attorney, or agent, or in which he or she may be in any way interested.

§ 10.27 Fees.

(a) *In general.* A practitioner may not charge an unconscionable fee in connection with any matter before the Internal Revenue Service.

(b) *Contingent fees* —

(1) Except as provided in paragraphs (b)(2), (3), and (4) of this section, a practitioner may not charge a contingent fee for services rendered in connection with any matter before the Internal Revenue Service.

(2) A practitioner may charge a contingent fee for services rendered in connection with the Service's examination of, or challenge to —

(i) An original tax return; or

(ii) An amended return or claim for refund or credit where the amended return or claim for refund or credit was filed within 120 days of the taxpayer receiving a written notice of the examination of, or a written challenge to the original tax return.

(3) A practitioner may charge a contingent fee for services rendered in connection with a claim for credit or refund filed solely in connection with the determination of statutory interest or penalties assessed by the Internal Revenue Service.

(4) A practitioner may charge a contingent fee for services rendered in connection with any judicial proceeding arising under the Internal Revenue Code.

(c) *Definitions.* For purposes of this section —

(1) *Contingent fee* is any fee that is based, in whole or in part, on whether or not a position taken on a tax return or other filing avoids challenge by the Internal Revenue Service or is sustained either by the Internal Revenue Service or in litigation. A contingent fee includes a fee that is based on a percentage of the refund reported on a return, that is based on a percentage of the taxes saved, or that otherwise depends on the specific result attained. A contingent fee also includes any fee arrangement in which the practitioner will reimburse the client for all or a portion of the client's fee in the event

that a position taken on a tax return or other filing is challenged by the Internal Revenue Service or is not sustained, whether pursuant to an indemnity agreement, a guarantee, rescission rights, or any other arrangement with a similar effect.

(2) *Matter before the Internal Revenue Service* includes tax planning and advice, preparing or filing or assisting in preparing or filing returns or claims for refund or credit, and all matters connected with a presentation to the Internal Revenue Service or any of its officers or employees relating to a taxpayer's rights, privileges, or liabilities under laws or regulations administered by the Internal Revenue Service. Such presentations include, but are not limited to, preparing and filing documents, corresponding and communicating with the Internal Revenue Service, rendering written advice with respect to any entity, transaction, plan or arrangement, and representing a client at conferences, hearings, and meetings.

(d) *Effective/applicability date.* This section is applicable for fee arrangements entered into after March 26, 2008.

§ 10.28 Return of client's records.

(a) In general, a practitioner must, at the request of a client, promptly return any and all records of the client that are necessary for the client to comply with his or her Federal tax obligations. The practitioner may retain copies of the records returned to a client. The existence of a dispute over fees generally does not relieve the practitioner of his or her responsibility under this section. Nevertheless, if applicable state law allows or permits the retention of a client's records by a practitioner in the case of a dispute over fees for services rendered, the practitioner need only return those records that must be attached to the taxpayer's return. The practitioner, however, must provide the client with reasonable access to review and copy any additional records of the client retained by the practitioner under state law that are necessary for the client to comply with his or her Federal tax obligations.

(b) For purposes of this section — Records of the client include all documents or written or electronic materials provided to the practitioner, or obtained by the practitioner in the course of the practitioner's representation of the client, that preexisted the retention of the practitioner by the client. The term also includes materials that were prepared by the client or a third party (not including an employee or agent of the practitioner) at any time and provided to the practitioner with respect to the subject matter of the representation. The term also includes any return, claim for refund, schedule, affidavit, appraisal or any other document prepared by the practitioner, or his or her employee or agent, that was presented to the client with respect to a prior representation if such document is necessary for the taxpayer to comply with his or her current Federal tax obligations. The term does not include any return, claim for refund, schedule, affidavit, appraisal or any other document prepared by the practitioner or the practitioner's firm, employees or agents if the practitioner is withholding such document pending the client's performance of its contractual obligation to pay fees with respect to such document.

§ 10.29 Conflicting interests.

(a) Except as provided by paragraph (b) of this section, a practitioner shall not represent a client before the Internal Revenue Service if the representation involves a conflict of interest. A conflict of interest exists if —

(1) The representation of one client will be directly adverse to another client; or

(2) There is a significant risk that the representation of one or more clients will be materially limited by the practitioner's responsibilities to another client, a former client or a third person, or by a personal interest of the practitioner.

(b) Notwithstanding the existence of a conflict of interest under paragraph (a) of this section, the practitioner may represent a client if —

(1) The practitioner reasonably believes that the practitioner will be able to provide competent and diligent representation to each affected client;

(2) The representation is not prohibited by law; and

(3) Each affected client waives the conflict of

interest and gives informed consent, confirmed in writing by each affected client, at the time the existence of the conflict of interest is known by the practitioner. The confirmation may be made within a reasonable period of time after the informed consent, but in no event later than 30 days.

(c) Copies of the written consents must be retained by the practitioner for at least 36 months from the date of the conclusion of the representation of the affected clients, and the written consents must be provided to any officer or employee of the Internal Revenue Service on request.

(d) *Effective/applicability date.* This section is applicable on September 26, 2007.

§ 10.30 Solicitation.

(a) *Advertising and solicitation restrictions.*

(1) A practitioner may not, with respect to any Internal Revenue Service matter, in any way use or participate in the use of any form of public communication or private solicitation containing a false, fraudulent, or coercive statement or claim; or a misleading or deceptive statement or claim. Enrolled agents, enrolled retirement plan agents, or registered tax return preparers, in describing their professional designation, may not utilize the term "certified" or imply an employer/employee relationship with the Internal Revenue Service. Examples of acceptable descriptions for enrolled agents are "enrolled to represent taxpayers before the Internal Revenue Service," "enrolled to practice before the Internal Revenue Service," and "admitted to practice before the Internal Revenue Service." Similarly, examples of acceptable descriptions for enrolled retirement plan agents are "enrolled to represent taxpayers before the Internal Revenue Service as a retirement plan agent" and "enrolled to practice before the Internal Revenue Service as a retirement plan agent." An example of an acceptable description for registered tax return preparers is "designated as a registered tax return preparer by the Internal Revenue Service."

(2) A practitioner may not make, directly or indirectly, an uninvited written or oral solicitation of employment in matters related to the Internal Revenue Service if the solicitation violates Federal or State law or other applicable rule, e.g., attorneys are precluded from making a solicitation that is prohibited by conduct rules applicable to all attorneys in their State(s) of licensure. Any lawful solicitation made by or on behalf of a practitioner eligible to practice before the Internal Revenue Service must, nevertheless, clearly identify the solicitation as such and, if applicable, identify the source of the information used in choosing the recipient.

(b) *Fee information.*

(1)(i) A practitioner may publish the availability of a written schedule of fees and disseminate the following fee information —

(A) Fixed fees for specific routine services.

(B) Hourly rates.

(C) Range of fees for particular services.

(D) Fee charged for an initial consultation.

(ii) Any statement of fee information concerning matters in which costs may be incurred must include a statement disclosing whether clients will be responsible for such costs.

(2) A practitioner may charge no more than the rate(s) published under paragraph (b)(1) of this section for at least 30 calendar days after the last date on which the schedule of fees was published.

(c) *Communication of fee information.* Fee information may be communicated in professional lists, telephone directories, print media, mailings, and electronic mail, facsimile, hand delivered flyers, radio, television, and any other method. The method chosen, however, must not cause the communication to become untruthful, deceptive, or otherwise in violation of this part. A practitioner may not persist in attempting to contact a prospective client if the prospective client has made it known to the practitioner that he or she does not desire to be solicited. In the case of radio and television broadcasting, the broadcast must be recorded and the practitioner must retain a recording of the actual transmission. In the case of direct mail and e-commerce communications, the practitioner must retain a copy of the actual communication, along with a list or other description of persons to whom the

communication was mailed or otherwise distributed. The copy must be retained by the practitioner for a period of at least 36 months from the date of the last transmission or use.

(d) *Improper associations.* A practitioner may not, in matters related to the Internal Revenue Service, assist, or accept assistance from, any person or entity who, to the knowledge of the practitioner, obtains clients or otherwise practices in a manner forbidden under this section.

(e) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

(Approved by the Office of Management and Budget under Control No. 1545-1726)

§ 10.31 Negotiation of taxpayer checks.

(a) A practitioner may not endorse or otherwise negotiate any check (including directing or accepting payment by any means, electronic or otherwise, into an account owned or controlled by the practitioner or any firm or other entity with whom the practitioner is associated) issued to a client by the government in respect of a Federal tax liability.

(b) *Effective/applicability date.* This section is applicable beginning June 12, 2014.

§ 10.32 Practice of law.

Nothing in the regulations in this part may be construed as authorizing persons not members of the bar to practice law.

§ 10.33 Best practices for tax advisors.

(a) *Best practices.* Tax advisors should provide clients with the highest quality representation concerning Federal tax issues by adhering to best practices in providing advice and in preparing or assisting in the preparation of a submission to the Internal Revenue Service. In addition to compliance with the standards of practice provided elsewhere in this part, best practices include the following:

(1) Communicating clearly with the client regarding the terms of the engagement. For example, the advisor should determine the client's expected purpose for and use of the advice and should have a clear understanding with the client regarding the form and scope of the advice or assistance to be rendered.

(2) Establishing the facts, determining which facts are relevant, evaluating the reasonableness of any assumptions or representations, relating the applicable law (including potentially applicable judicial doctrines) to the relevant facts, and arriving at a conclusion supported by the law and the facts.

(3) Advising the client regarding the import of the conclusions reached, including, for example, whether a taxpayer may avoid accuracy-related penalties under the Internal Revenue Code if a taxpayer acts in reliance on the advice.

(4) Acting fairly and with integrity in practice before the Internal Revenue Service.

(b) *Procedures to ensure best practices for tax advisors.* Tax advisors with responsibility for overseeing a firm's practice of providing advice concerning Federal tax issues or of preparing or assisting in the preparation of submissions to the Internal Revenue Service should take reasonable steps to ensure that the firm's procedures for all members, associates, and employees are consistent with the best practices set forth in paragraph (a) of this section.

(c) *Applicability date.* This section is effective after June 20, 2005.

§ 10.34 Standards with respect to tax returns and documents, affidavits and other papers.

(a) *Tax returns*.

(1) A practitioner may not willfully, recklessly, or through gross incompetence —

(i) Sign a tax return or claim for refund that the practitioner knows or reasonably should know contains a position that —

(A) Lacks a reasonable basis;

(B) Is an unreasonable position as described in section 6694(a)(2) of the Internal Revenue Code (Code) (including the related regulations and other published guidance); or

(C) Is a willful attempt by the practitioner to understate the liability for tax or a reckless or intentional disregard of rules or regulations by the practitioner as described in section 6694(b)(2) of the Code (including the related regulations and other published guidance).

(ii) Advise a client to take a position on a tax return or claim for refund, or prepare a portion of a tax return or claim for refund containing a position, that —

(A) Lacks a reasonable basis;

(B) Is an unreasonable position as described in section 6694(a)(2) of the Code (including the related regulations and other published guidance); or

(C) Is a willful attempt by the practitioner to understate the liability for tax or a reckless or intentional disregard of rules or regulations by the practitioner as described in section 6694(b)(2) of the Code (including the related regulations and other published guidance).

(2) A pattern of conduct is a factor that will be taken into account in determining whether a practitioner acted willfully, recklessly, or through gross incompetence.

(b) *Documents, affidavits and other papers* —

(1) A practitioner may not advise a client to take a position on a document, affidavit or other paper submitted to the Internal Revenue Service unless the position is not frivolous.

(2) A practitioner may not advise a client to submit a document, affidavit or other paper to the Internal Revenue Service —

(i) The purpose of which is to delay or impede the administration of the Federal tax laws;

(ii) That is frivolous; or

(iii) That contains or omits information in a manner that demonstrates an intentional disregard of a rule or regulation unless the practitioner also advises the client to submit a document that evidences a good faith challenge to the rule or regulation.

(c) *Advising clients on potential penalties* —

(1) A practitioner must inform a client of any penalties that are reasonably likely to apply to the client with respect to —

(i) A position taken on a tax return if —

(A) The practitioner advised the client with respect to the position; or

(B) The practitioner prepared or signed the tax return; and

(ii) Any document, affidavit or other paper submitted to the Internal Revenue Service.

(2) The practitioner also must inform the client of any opportunity to avoid any such penalties by disclosure, if relevant, and of the requirements for adequate disclosure.

(3) This paragraph (c) applies even if the practitioner is not subject to a penalty under the Internal Revenue Code with respect to the position or with respect to the document, affidavit or other paper submitted.

(d) *Relying on information furnished by clients.* A practitioner advising a client to take a position on a tax return, document, affidavit or other paper submitted to the Internal Revenue Service, or preparing or signing a tax return as a preparer, generally may rely in good faith without verification upon information furnished by the client. The practitioner may not, however, ignore the implications of information furnished to, or actually known by, the practitioner, and must make reasonable inquiries if the information as furnished appears to be incorrect, inconsistent with an important fact or another factual assumption, or incomplete.

(e) *Effective/applicability date.* Paragraph (a) of this section is applicable for returns or claims for refund filed, or advice provided, beginning August 2, 2011. Paragraphs (b) through (d) of this section are applicable to tax returns, documents, affidavits, and other papers filed on or after September 26, 2007.

§ 10.35 Competence.

(a) A practitioner must possess the necessary competence to engage in practice before the Internal Revenue Service. Competent practice requires the appropriate level of knowledge, skill, thoroughness, and preparation necessary for the matter for which the practitioner is engaged. A practitioner may become competent for the matter for which the practitioner has been engaged through various methods, such

as consulting with experts in the relevant area or studying the relevant law.

(b) *Effective/applicability date.* This section is applicable beginning June 12, 2014.

§ 10.36 Procedures to ensure compliance.

(a) Any individual subject to the provisions of this part who has (or individuals who have or share) principal authority and responsibility for overseeing a firm's practice governed by this part, including the provision of advice concerning Federal tax matters and preparation of tax returns, claims for refund, or other documents for submission to the Internal Revenue Service, must take reasonable steps to ensure that the firm has adequate procedures in effect for all members, associates, and employees for purposes of complying with subparts A, B, and C of this part, as applicable. In the absence of a person or persons identified by the firm as having the principal authority and responsibility described in this paragraph, the Internal Revenue Service may identify one or more individuals subject to the provisions of this part responsible for compliance with the requirements of this section.

(b) Any such individual who has (or such individuals who have or share) principal authority as described in paragraph (a) of this section will be subject to discipline for failing to comply with the requirements of this section if—

(1) The individual through willfulness, recklessness, or gross incompetence does not take reasonable steps to ensure that the firm has adequate procedures to comply with this part, as applicable, and one or more individuals who are members of, associated with, or employed by, the firm are, or have, engaged in a pattern or practice, in connection with their practice with the firm, of failing to comply with this part, as applicable;

(2) The individual through willfulness, recklessness, or gross incompetence does not take reasonable steps to ensure that firm procedures in effect are properly followed, and one or more individuals who are members of, associated with, or employed by, the firm are, or have, engaged in a pattern or practice, in connection with their practice with the firm, of failing to comply with this part, as applicable; or

(3) The individual knows or should know that one or more individuals who are members of, associated with, or employed by, the firm are, or have, engaged in a pattern or practice, in connection with their practice with the firm, that does not comply with this part, as applicable, and the individual, through willfulness, recklessness, or gross incompetence fails to take prompt action to correct the noncompliance.

(c) *Effective/applicability date.* This section is applicable beginning June 12, 2014.

§ 10.37 Requirements for written advice.

(a) *Requirements.*

(1) A practitioner may give written advice (including by means of electronic communication) concerning one or more Federal tax matters subject to the requirements in paragraph (a)(2) of this section. Government submissions on matters of general policy are not considered written advice on a Federal tax matter for purposes of this section. Continuing education presentations provided to an audience solely for the purpose of enhancing practitioners' professional knowledge on Federal tax matters are not considered written advice on a Federal tax matter for purposes of this section. The preceding sentence does not apply to presentations marketing or promoting transactions.

(2) The practitioner must—

(i) Base the written advice on reasonable factual and legal assumptions (including assumptions as to future events);

(ii) Reasonably consider all relevant facts and circumstances that the practitioner knows or reasonably should know;

(iii) Use reasonable efforts to identify and ascertain the facts relevant to written advice on each Federal tax matter;

(iv) Not rely upon representations, statements, findings, or agreements (including projections, financial forecasts, or appraisals) of the taxpayer or any other person if reliance on them would be unreasonable;

(v) Relate applicable law and authorities to facts; and

(vi) Not, in evaluating a Federal tax matter, take into account the possibility that a tax return will not be audited or that a matter will not be raised on audit.

(3) Reliance on representations, statements, findings, or agreements is unreasonable if the practitioner knows or reasonably should know that one or more representations or assumptions on which any representation is based are incorrect, incomplete, or inconsistent.

(b) *Reliance on advice of others.* A practitioner may only rely on the advice of another person if the advice was reasonable and the reliance is in good faith considering all the facts and circumstances. Reliance is not reasonable when—

(1) The practitioner knows or reasonably should know that the opinion of the other person should not be relied on;

(2) The practitioner knows or reasonably should know that the other person is not competent or lacks the necessary qualifications to provide the advice; or

(3) The practitioner knows or reasonably should know that the other person has a conflict of interest in violation of the rules described in this part.

(c) *Standard of review.*

(1) In evaluating whether a practitioner giving written advice concerning one or more Federal tax matters complied with the requirements of this section, the Commissioner, or delegate, will apply a reasonable practitioner standard, considering all facts and circumstances, including, but not limited to, the scope of the engagement and the type and specificity of the advice sought by the client.

(2) In the case of an opinion the practitioner knows or has reason to know will be used or referred to by a person other than the practitioner (or a person who is a member of, associated with, or employed by the practitioner's firm) in promoting, marketing, or recommending to one or more taxpayers a partnership or other entity, investment plan or arrangement a significant purpose of which is the avoidance or evasion of any tax imposed by the Internal Revenue Code, the Commissioner, or delegate, will apply a reasonable practitioner standard, considering all facts and circumstances, with emphasis given to the additional risk caused by the practitioner's lack of knowledge of the taxpayer's particular circumstances, when determining whether a practitioner has failed to comply with this section.

(d) *Federal tax matter.* A Federal tax matter, as used in this section, is any matter concerning the application or interpretation of---

(1) A revenue provision as defined in section 6110(i)(1)(B) of the Internal Revenue Code;

(2) Any provision of law impacting a person's obligations under the internal revenue laws and regulations, including but not limited to the person's liability to pay tax or obligation to file returns; or

(3) Any other law or regulation administered by the Internal Revenue Service.

(e) *Effective/applicability date.* This section is applicable to written advice rendered after June 12, 2014.

§ 10.38 Establishment of advisory committees.

(a) *Advisory committees.* To promote and maintain the public's confidence in tax advisors, the Internal Revenue Service is authorized to establish one or more advisory committees composed of at least six individuals authorized to practice before the Internal Revenue Service. Membership of an advisory committee must be balanced among those who practice as attorneys, accountants, enrolled agents, enrolled actuaries, enrolled retirement plan agents, and registered tax return preparers. Under procedures prescribed by the Internal Revenue Service, an advisory committee may review and make general recommendations regarding the practices, procedures, and policies of the offices described in §10.1.

(b) *Effective date.* This section is applicable beginning August 2, 2011.

Subpart C — Sanctions for Violation of the Regulations

§ 10.50 Sanctions.

(a) *Authority to censure, suspend, or disbar.* The Secretary of the Treasury, or delegate, after notice and an opportunity for a proceeding, may censure, suspend, or disbar any practitioner from practice before the Internal Revenue Service if the practitioner is shown to be incompetent or disreputable (within the meaning of §10.51), fails to comply with any regulation in this part (under the prohibited conduct standards of §10.52), or with intent to defraud, willfully and knowingly misleads or threatens a client or prospective client. Censure is a public reprimand.

(b) *Authority to disqualify.* The Secretary of the Treasury, or delegate, after due notice and opportunity for hearing, may disqualify any appraiser for a violation of these rules as applicable to appraisers.

(1) If any appraiser is disqualified pursuant to this subpart C, the appraiser is barred from presenting evidence or testimony in any administrative proceeding before the Department of Treasury or the Internal Revenue Service, unless and until authorized to do so by the Internal Revenue Service pursuant to §10.81, regardless of whether the evidence or testimony would pertain to an appraisal made prior to or after the effective date of disqualification.

(2) Any appraisal made by a disqualified appraiser after the effective date of disqualification will not have any probative effect in any administrative proceeding before the Department of the Treasury or the Internal Revenue Service. An appraisal otherwise barred from admission into evidence pursuant to this section may be admitted into evidence solely for the purpose of determining the taxpayer's reliance in good faith on such appraisal.

(c) *Authority to impose monetary penalty —*

(1) *In general.*

(i) The Secretary of the Treasury, or delegate, after notice and an opportunity for a proceeding, may impose a monetary penalty on any practitioner who engages in conduct subject to sanction under paragraph (a) of this section.

(ii) If the practitioner described in paragraph (c)(1)(i) of this section was acting on behalf of an employer or any firm or other entity in connection with the conduct giving rise to the penalty, the Secretary of the Treasury, or delegate, may impose a monetary penalty on the employer, firm, or entity if it knew, or reasonably should have known of such conduct.

(2) *Amount of penalty.* The amount of the penalty shall not exceed the gross income derived (or to be derived) from the conduct giving rise to the penalty.

(3) *Coordination with other sanctions.* Subject to paragraph (c)(2) of this section —

(i) Any monetary penalty imposed on a practitioner under this paragraph (c) may be in addition to or in lieu of any suspension, disbarment or censure and may be in addition to a penalty imposed on an employer, firm or other entity under paragraph (c)(1)(ii) of this section.

(ii) Any monetary penalty imposed on an employer, firm or other entity may be in addition to or in lieu of penalties imposed under paragraph (c)(1)(i) of this section.

(d) *Authority to accept a practitioner's consent to sanction.* The Internal Revenue Service may accept a practitioner's offer of consent to be sanctioned under §10.50 in lieu of instituting or continuing a proceeding under §10.60(a).

(e) *Sanctions to be imposed.* The sanctions imposed by this section shall take into account all relevant facts and circumstances.

(f) *Effective/applicability date.* This section is applicable to conduct occurring on or after August 2, 2011, except that paragraphs (a), (b)(2), and (e) apply to conduct occurring on or after September 26, 2007, and paragraph (c) applies to prohibited conduct that occurs after October 22, 2004.

§ 10.51 Incompetence and disreputable conduct.

(a) *Incompetence and disreputable conduct.* Incompetence and disreputable conduct for which a practitioner may be sanctioned under §10.50 includes, but is not limited to —

(1) Conviction of any criminal offense under the Federal tax laws.

(2) Conviction of any criminal offense involving dishonesty or breach of trust.

(3) Conviction of any felony under Federal or State law for which the conduct involved renders the practitioner unfit to practice before the Internal Revenue Service.

(4) Giving false or misleading information, or participating in any way in the giving of false or misleading information to the Department of the Treasury or any officer or employee thereof, or to any tribunal authorized to pass upon Federal tax matters, in connection with any matter pending or likely to be pending before them, knowing the information to be false or misleading. Facts or other matters contained in testimony, Federal tax returns, financial statements, applications for enrollment, affidavits, declarations, and any other document or statement, written or oral, are included in the term "information."

(5) Solicitation of employment as prohibited under §10.30, the use of false or misleading representations with intent to deceive a client or prospective client in order to procure employment, or intimating that the practitioner is able improperly to obtain special consideration or action from the Internal Revenue Service or any officer or employee thereof.

(6) Willfully failing to make a Federal tax return in violation of the Federal tax laws, or willfully evading, attempting to evade, or participating in any way in evading or attempting to evade any assessment or payment of any Federal tax.

(7) Willfully assisting, counseling, encouraging a client or prospective client in violating, or suggesting to a client or prospective client to violate, any Federal tax law, or knowingly counseling or suggesting to a client or prospective client an illegal plan to evade Federal taxes or payment thereof.

(8) Misappropriation of, or failure properly or promptly to remit, funds received from a client for the purpose of payment of taxes or other obligations due the United States.

(9) Directly or indirectly attempting to influence, or offering or agreeing to attempt to influence, the official action of any officer or employee of the Internal Revenue Service by the use of threats, false accusations, duress or coercion, by the offer of any special inducement or promise of an advantage or by the bestowing of any gift, favor or thing of value.

(10) Disbarment or suspension from practice as an attorney, certified public accountant, public accountant, or actuary by any duly constituted authority of any State, territory, or possession of the United States, including a Commonwealth, or the District of Columbia, any Federal court of record or any Federal agency, body or board.

(11) Knowingly aiding and abetting another person to practice before the Internal Revenue Service during a period of suspension, disbarment or ineligibility of such other person.

(12) Contemptuous conduct in connection with practice before the Internal Revenue Service, including the use of abusive language, making false accusations or statements, knowing them to be false, or circulating or publishing malicious or libelous matter.

(13) Giving a false opinion, knowingly, recklessly, or through gross incompetence, including an opinion which is intentionally or recklessly misleading, or engaging in a pattern of providing incompetent opinions on questions arising under the Federal tax laws. False opinions described in this paragraph (a)(l3) include those which reflect or result from a knowing misstatement of fact or law, from an assertion of a position known to be unwarranted under existing law, from counseling or assisting in conduct known to be illegal or fraudulent, from concealing matters required by law to be revealed, or from consciously disregarding information indicating that material facts expressed in the opinion or offering material are false or misleading. For purposes of this paragraph (a)(13), reckless conduct is a highly unreasonable omission or misrepresentation involving an extreme departure from the standards of ordinary care that a practitioner should observe under the circumstances. A pattern of conduct is a factor that will be taken into account in determining whether a practitioner acted knowingly, recklessly, or through gross incompetence. Gross incompetence

includes conduct that reflects gross indifference, preparation which is grossly inadequate under the circumstances, and a consistent failure to perform obligations to the client.

(14) Willfully failing to sign a tax return prepared by the practitioner when the practitioner's signature is required by Federal tax laws unless the failure is due to reasonable cause and not due to willful neglect.

(15) Willfully disclosing or otherwise using a tax return or tax return information in a manner not authorized by the Internal Revenue Code, contrary to the order of a court of competent jurisdiction, or contrary to the order of an administrative law judge in a proceeding instituted under §10.60.

(16) Willfully failing to file on magnetic or other electronic media a tax return prepared by the practitioner when the practitioner is required to do so by the Federal tax laws unless the failure is due to reasonable cause and not due to willful neglect.

(17) Willfully preparing all or substantially all of, or signing, a tax return or claim for refund when the practitioner does not possess a current or otherwise valid preparer tax identification number or other prescribed identifying number.

(18) Willfully representing a taxpayer before an officer or employee of the Internal Revenue Service unless the practitioner is authorized to do so pursuant to this part.

(b) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.52 Violations subject to sanction.

(a) A practitioner may be sanctioned under §10.50 if the practitioner —

(1) Willfully violates any of the regulations (other than §10.33) contained in this part; or

(2) Recklessly or through gross incompetence (within the meaning of §10.51(a)(13)) violates §§ 10.34, 10.35, 10.36 or 10.37.

(b) *Effective/applicability date.* This section is applicable to conduct occurring on or after September 26, 2007.

§ 10.53 Receipt of information concerning practitioner.

(a) *Officer or employee of the Internal Revenue Service*. If an officer or employee of the Internal Revenue Service has reason to believe a practitioner has violated any provision of this part, the officer or employee will promptly make a written report of the suspected violation. The report will explain the facts and reasons upon which the officer's or employee's belief rests and must be submitted to the office(s) of the Internal Revenue Service responsible for administering or enforcing this part.

(b) *Other persons*. Any person other than an officer or employee of the Internal Revenue Service having information of a violation of any provision of this part may make an oral or written report of the alleged violation to the office(s) of the Internal Revenue Service responsible for administering or enforcing this part or any officer or employee of the Internal Revenue Service. If the report is made to an officer or employee of the Internal Revenue Service, the officer or employee will make a written report of the suspected violation and submit the report to the office(s) of the Internal Revenue Service responsible for administering or enforcing this part.

(c) *Destruction of report*. No report made under paragraph (a) or (b) of this section shall be maintained unless retention of the report is permissible under the applicable records control schedule as approved by the National Archives and Records Administration and designated in the Internal Revenue Manual. Reports must be destroyed as soon as permissible under the applicable records control schedule.

(d) *Effect on proceedings under subpart D*. The destruction of any report will not bar any proceeding under subpart D of this part, but will preclude the use of a copy of the report in a proceeding under subpart D of this part.

(e) *Effective/applicability date*. This section is applicable beginning August 2, 2011.

Subpart D — Rules Applicable to Disciplinary Proceedings

§ 10.60 Institution of proceeding.

(a) Whenever it is determined that a practitioner (or employer, firm or other entity, if applicable) violated any provision of the laws governing practice before the Internal Revenue Service or the regulations in this part, the practitioner may be reprimanded or, in accordance with §10.62, subject to a proceeding for sanctions described in §10.50.

(b) Whenever a penalty has been assessed against an appraiser under the Internal Revenue Code and an appropriate officer or employee in an office established to enforce this part determines that the appraiser acted willfully, recklessly, or through gross incompetence with respect to the proscribed conduct, the appraiser may be reprimanded or, in accordance with §10.62, subject to a proceeding for disqualification. A proceeding for disqualification of an appraiser is instituted by the filing of a complaint, the contents of which are more fully described in §10.62.

(c) Except as provided in §10.82, a proceeding will not be instituted under this section unless the proposed respondent previously has been advised in writing of the law, facts and conduct warranting such action and has been accorded an opportunity to dispute facts, assert additional facts, and make arguments (including an explanation or description of mitigating circumstances).

(d) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.61 Conferences.

(a) *In general.* The Commissioner, or delegate, may confer with a practitioner, employer, firm or other entity, or an appraiser concerning allegations of misconduct irrespective of whether a proceeding has been instituted. If the conference results in a stipulation in connection with an ongoing proceeding in which the practitioner, employer, firm or other entity, or appraiser is the respondent, the stipulation may be entered in the record by either party to the proceeding.

(b) *Voluntary sanction —*

(1) *In general.* In lieu of a proceeding being instituted or continued under §10.60(a), a practitioner or appraiser (or employer, firm or other entity, if applicable) may offer a consent to be sanctioned under §10.50.

(2) *Discretion; acceptance or declination.* The Commissioner, or delegate, may accept or decline the offer described in paragraph (b)(1) of this section. When the decision is to decline the offer, the written notice of declination may state that the offer described in paragraph (b)(1) of this section would be accepted if it contained different terms. The Commissioner, or delegate, has the discretion to accept or reject a revised offer submitted in response to the declination or may counteroffer and act upon any accepted counteroffer.

(c) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.62 Contents of complaint.

(a) *Charges*. A complaint must name the respondent, provide a clear and concise description of the facts and law that constitute the basis for the proceeding, and be signed by an authorized representative of the Internal Revenue Service under §10.69(a)(1). A complaint is sufficient if it fairly informs the respondent of the charges brought so that the respondent is able to prepare a defense.

(b) *Specification of sanction*. The complaint must specify the sanction sought against the practitioner or appraiser. If the sanction sought is a suspension, the duration of the suspension sought must be specified.

(c) *Demand for answer*. The respondent must be notified in the complaint or in a separate paper attached to the complaint of the time for answering the complaint, which may not be less than 30 days from the date of service of the complaint, the name and address of the Administrative Law Judge with whom the answer must be filed, the name and address of the person representing the Internal Revenue Service to whom a copy of the answer must be served, and

that a decision by default may be rendered against the respondent in the event an answer is not filed as required.

(d) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.63 Service of complaint; service of other papers; service of evidence in support of complaint; filing of papers.

(a) *Service of complaint.*

(1) *In general.* The complaint or a copy of the complaint must be served on the respondent by any manner described in paragraphs (a) (2) or (3) of this section.

(2) *Service by certified or first class mail.*

(i) Service of the complaint may be made on the respondent by mailing the complaint by certified mail to the last known address (as determined under section 6212 of the Internal Revenue Code and the regulations thereunder) of the respondent. Where service is by certified mail, the returned post office receipt duly signed by the respondent will be proof of service.

(ii) If the certified mail is not claimed or accepted by the respondent, or is returned undelivered, service may be made on the respondent, by mailing the complaint to the respondent by first class mail. Service by this method will be considered complete upon mailing, provided the complaint is addressed to the respondent at the respondent's last known address as determined under section 6212 of the Internal Revenue Code and the regulations thereunder.

(3) *Service by other than certified or first class mail.*

(i) Service of the complaint may be made on the respondent by delivery by a private delivery service designated pursuant to section 7502(f) of the Internal Revenue Code to the last known address (as determined under section 6212 of the Internal Revenue Code and the regulations there under) of the respondent. Service by this method will be considered complete, provided the complaint is addressed to the respondent at the respondent's last known address as determined under section 6212 of the Internal Revenue Code and the regulations thereunder.

(ii) Service of the complaint may be made in person on, or by leaving the complaint at the office or place of business of, the respondent. Service by this method will be considered complete and proof of service will be a written statement, sworn or affirmed by the person who served the complaint, identifying the manner of service, including the recipient, relationship of recipient to respondent, place, date and time of service.

(iii) Service may be made by any other means agreed to by the respondent. Proof of service will be a written statement, sworn or affirmed by the person who served the complaint, identifying the manner of service, including the recipient, relationship of recipient to respondent, place, date and time of service.

(4) For purposes of this section, *respondent* means the practitioner, employer, firm or other entity, or appraiser named in the complaint or any other person having the authority to accept mail on behalf of the practitioner, employer, firm or other entity or appraiser.

(b) *Service of papers other than complaint.* Any paper other than the complaint may be served on the respondent, or his or her authorized representative under §10.69(a)(2) by:

(1) mailing the paper by first class mail to the last known address (as determined under section 6212 of the Internal Revenue Code and the regulations thereunder) of the respondent or the respondent's authorized representative,

(2) delivery by a private delivery service designated pursuant to section 7502(f) of the Internal Revenue Code to the last known address (as determined under section 6212 of the Internal Revenue Code and the regulations thereunder) of the respondent or the respondent's authorized representative, or

(3) as provided in paragraphs (a)(3)(ii) and (a)(3)(iii) of this section.

(c) *Service of papers on the Internal Revenue Service.* Whenever a paper is required or permitted to be served on the Internal Revenue Service in

connection with a proceeding under this part, the paper will be served on the Internal Revenue Service's authorized representative under §10.69(a)(1) at the address designated in the complaint, or at an address provided in a notice of appearance. If no address is designated in the complaint or provided in a notice of appearance, service will be made on the office(s) established to enforce this part under the authority of §10.1, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20224.

(d) *Service of evidence in support of complaint.* Within 10 days of serving the complaint, copies of the evidence in support of the complaint must be served on the respondent in any manner described in paragraphs (a)(2) and (3) of this section.

(e) *Filing of papers.* Whenever the filing of a paper is required or permitted in connection with a proceeding under this part, the original paper, plus one additional copy, must be filed with the Administrative Law Judge at the address specified in the complaint or at an address otherwise specified by the Administrative Law Judge. All papers filed in connection with a proceeding under this part must be served on the other party, unless the Administrative Law Judge directs otherwise. A certificate evidencing such must be attached to the original paper filed with the Administrative Law Judge.

(f) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.64 Answer; default.

(a) *Filing.* The respondent's answer must be filed with the Administrative Law Judge, and served on the Internal Revenue Service, within the time specified in the complaint unless, on request or application of the respondent, the time is extended by the Administrative Law Judge.

(b) *Contents.* The answer must be written and contain a statement of facts that constitute the respondent's grounds of defense. General denials are not permitted. The respondent must specifically admit or deny each allegation set forth in the complaint, except that the respondent may state that the respondent is without sufficient information to admit or deny a specific allegation. The respondent, nevertheless, may not deny a material allegation in the complaint that the respondent knows to be true, or state that the respondent is without sufficient information to form a belief, when the respondent possesses the required information. The respondent also must state affirmatively any special matters of defense on which he or she relies.

(c) *Failure to deny or answer allegations in the complaint.* Every allegation in the complaint that is not denied in the answer is deemed admitted and will be considered proved; no further evidence in respect of such allegation need be adduced at a hearing.

(d) *Default.* Failure to file an answer within the time prescribed (or within the time for answer as extended by the Administrative Law Judge), constitutes an admission of the allegations of the complaint and a waiver of hearing, and the Administrative Law Judge may make the decision by default without a hearing or further procedure. A decision by default constitutes a decision under §10.76.

(e) *Signature.* The answer must be signed by the respondent or the respondent's authorized representative under §10.69(a)(2) and must include a statement directly above the signature acknowledging that the statements made in the answer are true and correct and that knowing and willful false statements may be punishable under 18 U.S.C. §1001.

(f) Effective/applicability date. This section is applicable beginning August 2, 2011.

§ 10.65 Supplemental charges.

(a) *In general*. Supplemental charges may be filed against the respondent by amending the complaint with the permission of the Administrative Law Judge if, for example —

(1) It appears that the respondent, in the answer, falsely and in bad faith, denies a material allegation of fact in the complaint or states that the respondent has insufficient knowledge to form a belief, when the respondent possesses such information; or

(2) It appears that the respondent has knowingly

introduced false testimony during the proceedings against the respondent.

(b) *Hearing.* The supplemental charges may be heard with other charges in the case, provided the respondent is given due notice of the charges and is afforded a reasonable opportunity to prepare a defense to the supplemental charges.

(c) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.66 Reply to answer.

(a) The Internal Revenue Service may file a reply to the respondent's answer, but unless otherwise ordered by the Administrative Law Judge, no reply to the respondent's answer is required. If a reply is not filed, new matter in the answer is deemed denied.

(b) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.67 Proof; variance; amendment of pleadings.

In the case of a variance between the allegations in pleadings and the evidence adduced in support of the pleadings, the Administrative Law Judge, at any time before decision, may order or authorize amendment of the pleadings to conform to the evidence. The party who would otherwise be prejudiced by the amendment must be given a reasonable opportunity to address the allegations of the pleadings as amended and the Administrative Law Judge must make findings on any issue presented by the pleadings as amended.

§ 10.68 Motions and requests.

(a) *Motions —*

(1) *In general.* At any time after the filing of the complaint, any party may file a motion with the Administrative Law Judge. Unless otherwise ordered by the Administrative Law Judge, motions must be in writing and must be served on the opposing party as provided in §10.63(b). A motion must concisely specify its grounds and the relief sought, and, if appropriate, must contain a memorandum of facts and law in support.

(2) *Summary adjudication.* Either party may move for a summary adjudication upon all or any part of the legal issues in controversy. If the non-moving party opposes summary adjudication in the moving party's favor, the non-moving party must file a written response within 30 days unless ordered otherwise by the Administrative Law Judge.

(3) *Good Faith.* A party filing a motion for extension of time, a motion for postponement of a hearing, or any other non-dispositive or procedural motion must first contact the other party to determine whether there is any objection to the motion, and must state in the motion whether the other party has an objection.

(b) *Response.* Unless otherwise ordered by the Administrative Law Judge, the nonmoving party is not required to file a response to a motion. If the Administrative Law Judge does not order the nonmoving party to file a response, and the nonmoving party files no response, the nonmoving party is deemed to oppose the motion. If a nonmoving party does not respond within 30 days of the filing of a motion for decision by default for failure to file a timely answer or for failure to prosecute, the nonmoving party is deemed not to oppose the motion.

(c) *Oral motions; oral argument —*

(1) The Administrative Law Judge may, for good cause and with notice to the parties, permit oral motions and oral opposition to motions.

(2) The Administrative Law Judge may, within his or her discretion, permit oral argument on any motion.

(d) *Orders.* The Administrative Law Judge should issue written orders disposing of any motion or request and any response thereto.

(e) *Effective/applicability date.* This section is applicable on September 26, 2007.

§ 10.69 Representation; ex parte communication.

(a) *Representation*.

(1) The Internal Revenue Service may be represented in proceedings under this part by an attorney or other employee of the Internal Revenue Service. An attorney or an employee of the Internal

Revenue Service representing the Internal Revenue Service in a proceeding under this part may sign the complaint or any document required to be filed in the proceeding on behalf of the Internal Revenue Service.

(2) A respondent may appear in person, be represented by a practitioner, or be represented by an attorney who has not filed a declaration with the Internal Revenue Service pursuant to §10.3. A practitioner or an attorney representing a respondent or proposed respondent may sign the answer or any document required to be filed in the proceeding on behalf of the respondent.

(b) *Ex parte communication*. The Internal Revenue Service, the respondent, and any representatives of either party, may not attempt to initiate or participate in ex parte discussions concerning a proceeding or potential proceeding with the Administrative Law Judge (or any person who is likely to advise the Administrative Law Judge on a ruling or decision) in the proceeding before or during the pendency of the proceeding. Any memorandum, letter or other communication concerning the merits of the proceeding, addressed to the Administrative Law Judge, by or on behalf of any party shall be regarded as an argument in the proceeding and shall be served on the othe party.

(c) *Effective/applicability date*. This section is applicable beginning August 2, 2011.

§ 10.70 Administrative Law Judge.

(a) *Appointment.* Proceedings on complaints for the sanction (as described in §10.50) of a practitioner, employer, firm or other entity, or appraiser will be conducted by an Administrative Law Judge appointed as provided by *5 U.S.C. 3105*.

(b) *Powers of the Administrative Law Judge.* The Administrative Law Judge, among other powers, has the authority, in connection with any proceeding under §10.60 assigned or referred to him or her, to do the following:

(1) Administer oaths and affirmations;

(2) Make rulings on motions and requests, which rulings may not be appealed prior to the close of a hearing except in extraordinary circumstances and at the discretion of the Administrative Law Judge;

(3) Determine the time and place of hearing and regulate its course and conduct;

(4) Adopt rules of procedure and modify the same from time to time as needed for the orderly disposition of proceedings;

(5) Rule on offers of proof, receive relevant evidence, and examine witnesses;

(6) Take or authorize the taking of depositions or answers to requests for admission;

(7) Receive and consider oral or written argument on facts or law;

(8) Hold or provide for the holding of conferences for the settlement or simplification of the issues with the consent of the parties;

(9) Perform such acts and take such measures as are necessary or appropriate to the efficient conduct of any proceeding; and

(10) Make decisions.

(c) *Effective/applicability date.* This section is applicable on September 26, 2007.

§ 10.71 Discovery.

(a) *In general.* Discovery may be permitted, at the discretion of the Administrative Law Judge, only upon written motion demonstrating the relevance, materiality and reasonableness of the requested discovery and subject to the requirements of §10.72(d)(2) and (3). Within 10 days of receipt of the answer, the Administrative Law Judge will notify the parties of the right to request discovery and the timeframe for filing a request. A request for discovery, and objections, must be filed in accordance with §10.68. In response to a request for discovery, the Administrative Law Judge may order —

(1) Depositions upon oral examination; or

(2) Answers to requests for admission.

(b) *Depositions upon oral examination —*

(1) A deposition must be taken before an officer duly authorized to administer an oath for general purposes or before an officer or employee of the Internal Revenue Service who is authorized to administer an oath in Federal tax law matters.

(2) In ordering a deposition, the Administrative Law Judge will require reasonable notice to the opposing party as to the time and place of the deposition. The opposing party, if attending, will be provided the opportunity for full examination and cross-examination of any witness.

(3) Expenses in the reporting of depositions shall be borne by the party at whose instance the deposition is taken. Travel expenses of the deponent shall be borne by the party requesting the deposition, unless otherwise authorized by Federal law or regulation.

(c) *Requests for admission.* Any party may serve on any other party a written request for admission of the truth of any matters which are not privileged and are relevant to the subject matter of this proceeding. Requests for admission shall not exceed a total of 30 (including any subparts within a specific request) without the approval from the Administrative Law Judge.

(d) *Limitations.* Discovery shall not be authorized if —

(1) The request fails to meet any requirement set forth in paragraph (a) of this section;

(2) It will unduly delay the proceeding;

(3) It will place an undue burden on the party required to produce the discovery sought;

(4) It is frivolous or abusive;

(5) It is cumulative or duplicative;

(6) The material sought is privileged or otherwise protected from disclosure by law;

(7) The material sought relates to mental impressions, conclusions, of legal theories of any party, attorney, or other representative, or a party prepared in the anticipation of a proceeding; or

(8) The material sought is available generally to the public, equally to the parties, or to the party seeking the discovery through another source.

(e) *Failure to comply.* Where a party fails to comply with an order of the Administrative Law Judge under this section, the Administrative Law Judge may, among other things, infer that the information would be adverse to the party failing to provide it, exclude the information from evidence or issue a decision by default.

(f) *Other discovery.* No discovery other than that specifically provided for in this section is permitted.

(g) *Effective/applicability date.* This section is applicable to proceedings initiated on or after September 26, 2007.

§ 10.72 Hearings.

(a) *In general —*

(1) *Presiding officer.* An Administrative Law Judge will preside at the hearing on a complaint filed under §10.60 for the sanction of a practitioner, employer, firm or other entity, or appraiser.

(2) *Time for hearing.* Absent a determination by the Administrative Law Judge that, in the interest of justice, a hearing must be held at a later time, the Administrative Law Judge should, on notice sufficient to allow proper preparation, schedule the hearing to occur no later than 180 days after the time for filing the answer.

(3) *Procedural requirements.*

(i) Hearings will be stenographically recorded and transcribed and the testimony of witnesses will be taken under oath or affirmation.

(ii) Hearings will be conducted pursuant to *5 U.S.C. 556*.

(iii) A hearing in a proceeding requested under §10.82(g) will be conducted de novo.

(iv) An evidentiary hearing must be held in all proceedings prior to the issuance of a decision by the Administrative Law Judge unless —

(A) The Internal Revenue Service withdraws the complaint;

(B) A decision is issued by default pursuant to §10.64(d);

(C) A decision is issued under §10.82 (e);

(D) The respondent requests a decision on the written record without a hearing; or

(E) The Administrative Law Judge issues a decision under §10.68(d) or rules on another motion that disposes of the case prior to the hearing.

(b) *Cross-examination.* A party is entitled to present his or her case or defense by oral or documentary evidence, to submit rebuttal evidence, and to conduct cross-examination, in the presence of the Administrative Law Judge, as may be required for a full and true disclosure of the facts. This

paragraph (b) does not limit a party from presenting evidence contained within a deposition when the Administrative Law Judge determines that the deposition has been obtained in compliance with the rules of this subpart D.

(c) *Prehearing memorandum.* Unless otherwise ordered by the Administrative Law Judge, each party shall file, and serve on the opposing party or the opposing party's representative, prior to any hearing, a prehearing memorandum containing —

(1) A list (together with a copy) of all proposed exhibits to be used in the party's case in chief;

(2) A list of proposed witnesses, including a synopsis of their expected testimony, or a statement that no witnesses will be called;

(3) Identification of any proposed expert witnesses, including a synopsis of their expected testimony and a copy of any report prepared by the expert or at his or her direction; and

(4) A list of undisputed facts.

(d) *Publicity —*

(1) *In general.* All reports and decisions of the Secretary of the Treasury, or delegate, including any reports and decisions of the Administrative Law Judge, under this subpart D are, subject to the protective measures in paragraph (d)(4) of this section, public and open to inspection within 30 days after the agency's decision becomes final.

(2) *Request for additional publicity.* The Administrative Law Judge may grant a request by a practitioner or appraiser that all the pleadings and evidence of the disciplinary proceeding be made available for inspection where the parties stipulate in advance to adopt the protective measures in paragraph (d)(4) of this section.

(3) *Returns and return information —*

(i) *Disclosure to practitioner or appraiser.* Pursuant to *section 6103(l)(4) of the Internal Revenue Code,* the Secretary of the Treasury, or delegate, may disclose returns and return information to any practitioner or appraiser, or to the authorized representative of the practitioner or appraiser, whose rights are or may be affected by an administrative action or proceeding under this subpart D, but solely for use in the action or proceeding and only to the extent that the Secretary of the Treasury, or delegate, determines that the returns or return information are or may be relevant and material to the action or proceeding.

(ii) *Disclosure to officers and employees of the Department of the Treasury.* Pursuant to *section 6103(l)(4)(B) of the Internal Revenue Code* the Secretary of the Treasury, or delegate, may disclose returns and return information to officers and employees of the Department of the Treasury for use in any action or proceeding under this subpart D, to the extent necessary to advance or protect the interests of the United States.

(iii) *Use of returns and return information.* Recipients of returns and return information under this paragraph (d)(3) may use the returns or return information solely in the action or proceeding, or in preparation for the action or proceeding, with respect to which the disclosure was made.

(iv) *Procedures for disclosure of returns and return information.* When providing returns or return information to the practitioner or appraiser, or authorized representative, the Secretary of the Treasury, or delegate, will —

(A) Redact identifying information of any third party taxpayers and replace it with a code;

(B) Provide a key to the coded information; and

(C) Notify the practitioner or appraiser, or authorized representative, of the restrictions on the use and disclosure of the returns and return information, the applicable damages remedy under *section 7431 of the Internal Revenue Code*, and that unauthorized disclosure of information provided by the Internal Revenue Service under this paragraph (d)(3) is also a violation of this part.

(4) *Protective measures —*

(i) *Mandatory protection order.* If redaction of names, addresses, and other identifying information of third party taxpayers may still permit indirect identification of any third party taxpayer, the Administrative Law Judge will issue a protective order to ensure that the identifying information is available to the parties and the Administrative Law Judge for purposes of the proceeding, but is not

disclosed to, or open to inspection by, the public.

(ii) *Authorized orders.*

(A) Upon motion by a party or any other affected person, and for good cause shown, the Administrative Law Judge may make any order which justice requires to protect any person in the event disclosure of information is prohibited by law, privileged, confidential, or sensitive in some other way, including, but not limited to, one or more of the following —

(1) That disclosure of information be made only on specified terms and conditions, including a designation of the time or place;

(2) That a trade secret or other information not be disclosed, or be disclosed only in a designated way.

(iii) *Denials.* If a motion for a protective order is denied in whole or in part, the Administrative Law Judge may, on such terms or conditions as the Administrative Law Judge deems just, order any party or person to comply with, or respond in accordance with, the procedure involved.

(iv) *Public inspection of documents.* The Secretary of the Treasury, or delegate, shall ensure that all names, addresses or other identifying details of third party taxpayers are redacted and replaced with the code assigned to the corresponding taxpayer in all documents prior to public inspection of such documents.

(e) *Location.* The location of the hearing will be determined by the agreement of the parties with the approval of the Administrative Law Judge, but, in the absence of such agreement and approval, the hearing will be held in Washington, D.C.

(f) *Failure to appear.* If either party to the proceeding fails to appear at the hearing, after notice of the proceeding has been sent to him or her, the party will be deemed to have waived the right to a hearing and the Administrative Law Judge may make his or her decision against the absent party by default.

(g) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.73 Evidence.

(a) *In general.* The rules of evidence prevailing in courts of law and equity are not controlling in hearings or proceedings conducted under this part. The Administrative Law Judge may, however, exclude evidence that is irrelevant, immaterial, or unduly repetitious.

(b) *Depositions.* The deposition of any witness taken pursuant to §10.71 may be admitted into evidence in any proceeding instituted under §10.60.

(c) *Requests for admission.* Any matter admitted in response to a request for admission under §10.71 is conclusively established unless the Administrative Law Judge on motion permits withdrawal or modification of the admission. Any admission made by a party is for the purposes of the pending action only and is not an admission by a party for any other purpose, nor may it be used against a party in any other proceeding.

(d) *Proof of documents.* Official documents, records, and papers of the Internal Revenue Service and the Office of Professional Responsibility are admissible in evidence without the production of an officer or employee to authenticate them. Any documents, records, and papers may be evidenced by a copy attested to or identified by an officer or employee of the Internal Revenue Service or the Treasury Department, as the case may be.

(e) *Withdrawal of exhibits.* If any document, record, or other paper is introduced in evidence as an exhibit, the Administrative Law Judge may authorize the withdrawal of the exhibit subject to any conditions that he or she deems proper.

(f) *Objections.* Objections to evidence are to be made in short form, stating the grounds for the objection. Except as ordered by the Administrative Law Judge, argument on objections will not be recorded or transcribed. Rulings on objections are to be a part of the record, but no exception to a ruling is necessary to preserve the rights of the parties.

(g) *Effective/applicability date.* This section is applicable on September 26, 2007.

§ 10.74 Transcript.

In cases where the hearing is stenographically reported by a Government contract reporter, copies of the transcript may be obtained from the reporter at rates not to exceed the maximum rates fixed by contract between the Government and the reporter. Where the hearing is stenographically reported by a regular employee of the Internal Revenue Service, a copy will be supplied to the respondent either without charge or upon the payment of a reasonable fee. Copies of exhibits introduced at the hearing or at the taking of depositions will be supplied to the parties upon the payment of a reasonable fee (Sec. 501, Public Law 82-137) (65 Stat. 290) (31 U.S.C. § 483a).

§ 10.75 Proposed findings and conclusions.

Except in cases where the respondent has failed to answer the complaint or where a party has failed to appear at the hearing, the parties must be afforded a reasonable opportunity to submit proposed findings and conclusions and their supporting reasons to the Administrative Law Judge.

§ 10.76 Decision of Administrative Law Judge.

(a) *In general —*

(1) *Hearings.* Within 180 days after the conclusion of a hearing and the receipt of any proposed findings and conclusions timely submitted by the parties, the Administrative Law Judge should enter a decision in the case. The decision must include a statement of findings and conclusions, as well as the reasons or basis for making such findings and conclusions, and an order of censure, suspension, disbarment, monetary penalty, disqualification, or dismissal of the complaint.

(2) *Summary adjudication.* In the event that a motion for summary adjudication is filed, the Administrative Law Judge should rule on the motion for summary adjudication within 60 days after the party in opposition files a written response, or if no written response is filed, within 90 days after the motion for summary adjudication is filed. A decision shall thereafter be rendered if the pleadings, depositions, admissions, and any other admissible evidence show that there is no genuine issue of material fact and that a decision may be rendered as a matter of law. The decision must include a statement of conclusions, as well as the reasons or basis for making such conclusions, and an order of censure, suspension, disbarment, monetary penalty, disqualification, or dismissal of the complaint.

(3) *Returns and return information.* In the decision, the Administrative Law Judge should use the code assigned to third party taxpayers (described in §10.72(d)).

(b) *Standard of proof.* If the sanction is censure or a suspension of less than six months' duration, the Administrative Law Judge, in rendering findings and conclusions, will consider an allegation of fact to be proven if it is established by the party who is alleging the fact by a preponderance of the evidence in the record. If the sanction is a monetary penalty, disbarment or a suspension of six months or longer duration, an allegation of fact that is necessary for a finding against the practitioner must be proven by clear and convincing evidence in the record. An allegation of fact that is necessary for a finding of disqualification against an appraiser must be proved by clear and convincing evidence in the record.

(c) *Copy of decision.* The Administrative Law Judge will provide the decision to the Internal Revenue Service's authorized representative, and a copy of the decision to the respondent or the respondent's authorized representative.

(d) *When final.* In the absence of an appeal to the Secretary of the Treasury or delegate, the decision of the Administrative Law Judge will, without further proceedings, become the decision of the agency 30 days after the date of the Administrative Law Judge's decision.

(e) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.77 Appeal of decision of Administrative Law Judge.

(a) *Appeal*. Any party to the proceeding under this subpart D may appeal the decision of the Administrative Law Judge by filing a notice of appeal with the Secretary of the Treasury, or delegate deciding appeals. The notice of appeal must include a brief that states exceptions to the decision of Administrative Law Judge and supporting reasons for such exceptions.

(b) *Time and place for filing of appeal*. The notice of appeal and brief must be filed, in duplicate, with the Secretary of the Treasury, or delegate deciding appeals, at an address for appeals that is identified to the parties with the decision of the Administrative Law Judge. The notice of appeal and brief must be filed within 30 days of the date that the decision of the Administrative Law Judge is served on the parties. The appealing party must serve a copy of the notice of appeal and the brief to any non appealing party or, if the party is represented, the non-appealing party's representative.

(c) *Response*. Within 30 days of receiving the copy of the appellant's brief, the other party may file a response brief with the Secretary of the Treasury, or delegate deciding appeals, using the address identified for appeals. A copy of the response brief must be served at the same time on the opposing party or, if the party is represented, the opposing party's representative.

(d) *No other briefs, responses or motions as of right*. Other than the appeal brief and response brief, the parties are not permitted to file any other briefs, responses or motions, except on a grant of leave to do so after a motion demonstrating sufficient cause, or unless otherwise ordered by the Secretary of the Treasury, or delegate deciding appeals.

(e) *Additional time for briefs and responses*. Notwithstanding the time for filing briefs and responses provided in paragraphs (b) and (c) of this section, the Secretary of the Treasury, or delegate deciding appeals, may, for good cause, authorize additional time for filing briefs and responses upon a motion of a party or upon the initiative of the Secretary of the Treasury, or delegate deciding appeals.

(f) *Effective/applicability date*. This section is applicable beginning August 2, 2011.

§ 10.78 Decision on review.

(a) *Decision on review.* On appeal from or review of the decision of the Administrative Law Judge, the Secretary of the Treasury, or delegate, will make the agency decision. The Secretary of the Treasury, or delegate, should make the agency decision within 180 days after receipt of the appeal

(b) *Standard of review.* The decision of the Administrative Law Judge will not be reversed unless the appellant establishes that the decision is clearly erroneous in light of the evidence in the record and applicable law. Issues that are exclusively matters of law will be reviewed de novo. In the event that the Secretary of the Treasury, or delegate, determines that there are unresolved issues raised by the record, the case may be remanded to the Administrative Law Judge to elicit additional testimony or evidence.

(c) *Copy of decision on review.* The Secretary of the Treasury, or delegate, will provide copies of the agency decision to the authorized representative of the Internal Revenue Service and the respondent or the respondent's authorized representative.

(d) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.79 Effect of disbarment, suspension, or censure.

(a) *Disbarment*. When the final decision in a case is against the respondent (or the respondent has offered his or her consent and such consent has been accepted by the Internal Revenue Service) and such decision is for disbarment, the respondent will not be permitted to practice before the Internal Revenue Service unless and until authorized to do so by the Internal Revenue Service pursuant to §10.81.

(b) *Suspension*. When the final decision in a case is against the respondent (or the respondent has offered his or her consent and such consent has been accepted by the Internal Revenue Service)

and such decision is for suspension, the respondent will not be permitted to practice before the Internal Revenue Service during the period of suspension. For periods after the suspension, the practitioner's future representations may be subject to conditions as authorized by paragraph (d) of this section.

(c) *Censure*. When the final decision in the case is against the respondent (or the Internal Revenue Service has accepted the respondent's offer to consent, if such offer was made) and such decision is for censure, the respondent will be permitted to practice before the Internal Revenue Service, but the respondent's future representations may be subject to conditions as authorized by paragraph (d) of this section.

(d) *Conditions*. After being subject to the sanction of either suspension or censure, the future representations of a practitioner so sanctioned shall be subject to specified conditions designed to promote high standards of conduct. These conditions can be imposed for a reasonable period in light of the gravity of the practitioner's violations. For example, where a practitioner is censured because the practitioner failed to advise the practitioner's clients about a potential conflict of interest or failed to obtain the clients' written consents, the practitioner may be required to provide the Internal Revenue Service with a copy of all consents obtained by the practitioner for an appropriate period following censure, whether or not such consents are specifically requested.

(e) *Effective/applicability date*. This section is applicable beginning August 2, 2011.

§ 10.80 Notice of disbarment, suspension, censure, or disqualification.

(a) *In general*. On the issuance of a final order censuring, suspending, or disbarring a practitioner or a final order disqualifying an appraiser, notification of the censure, suspension, disbarment or disqualification will be given to appropriate officers and employees of the Internal Revenue Service and interested departments and agencies of the Federal government. The Internal Revenue Service may determine the manner of giving notice to the proper authorities of the State by which the censured, suspended, or disbarred person was licensed to practice.

(b) *Effective/applicability date*. This section is applicable beginning August 2, 2011.

§ 10.81 Petition for reinstatement.

(a) *In general*. A practitioner disbarred or suspended under §10.60, or suspended under §10.82, or a disqualified appraiser may petition for reinstatement before the Internal Revenue Service after the expiration of 5 years following such disbarment, suspension, or disqualification (or immediately following the expiration of the suspension or disqualification period, if shorter than 5 years). Reinstatement will not be granted unless the Internal Revenue Service is satisfied that the petitioner is not likely to engage thereafter in conduct contrary to the regulations in this part, and that granting such reinstatement would not be contrary to the public interest.

(b) *Effective/applicability date*. This section is applicable beginning June 12, 2014.

§ 10.82 Expedited suspension.

(a) *When applicable.* Whenever the Commissioner, or delegate, determines that a practitioner is described in paragraph (b) of this section, the expedited procedures described in this section may be used to suspend the practitioner from practice before the Internal Revenue Service.

(b) *To whom applicable.* This section applies to any practitioner who, within 5 years prior to the date that a show cause order under this section's expedited suspension procedures is served:

(1) Has had a license to practice as an attorney, certified public accountant, or actuary suspended or revoked for cause (not including a failure to pay a professional licensing fee) by any authority or court, agency, body, or board described in §10.51(a)(10).

(2) Has, irrespective of whether an appeal has been taken, been convicted of any crime under title

26 of the United States Code, any crime involving dishonesty or breach of trust, or any felony for which the conduct involved renders the practitioner unfit to practice before the Internal Revenue Service.

(3) Has violated conditions imposed on the practitioner pursuant to §10.79(d).

(4) Has been sanctioned by a court of competent jurisdiction, whether in a civil or criminal proceeding (including suits for injunctive relief), relating to any taxpayer's tax liability or relating to the practitioner's own tax liability, for —

(i) Instituting or maintaining proceedings primarily for delay;

(ii) Advancing frivolous or groundless arguments; or

(iii) Failing to pursue available administrative remedies.

(5) Has demonstrated a pattern of willful disreputable conduct by—

(i) Failing to make an annual Federal tax return, in violation of the Federal tax laws, during 4 of the 5 tax years immediately preceding the institution of a proceeding under paragraph (c) of this section and remains noncompliant with any of the practitioner's Federal tax filing obligations at the time the notice of suspension is issued under paragraph (f) of this section; or

(ii) Failing to make a return required more frequently than annually, in violation of the Federal tax laws, during 5 of the 7 tax periods immediately preceding the institution of a proceeding under paragraph (c) of this section and remains noncompliant with any of the practitioner's Federal tax filing obligations at the time the notice of suspension is issued under paragraph (f) of this section.

(c) *Expedited suspension procedures.* A suspension under this section will be proposed by a show cause order that names the respondent, is signed by an authorized representative of the Internal Revenue Service under §10.69(a)(1), and served according to the rules set forth in §10.63(a). The show cause order must give a plain and concise description of the allegations that constitute the basis for the proposed suspension. The show cause order must notify the respondent —

(1) Of the place and due date for filing a response;

(2) That an expedited suspension decision by default may be rendered if the respondent fails to file a response as required;

(3) That the respondent may request a conference to address the merits of the show cause order and that any such request must be made in the response; and

(4) That the respondent may be suspended either immediately following the expiration of the period within which a response must be filed or, if a conference is requested, immediately following the conference.

(d) *Response*. The response to the show cause order described in this section must be filed no later than 30 calendar days following the date the show cause order is served, unless the time for filing is extended. The response must be filed in accordance with the rules set forth for answers to a complaint in §10.64, except as otherwise provided in this section. The response must include a request for a conference, if a conference is desired. The respondent is entitled to the conference only if the request is made in a timely filed response.

(e) *Conference*. An authorized representative of the Internal Revenue Service will preside at a conference described in this section. The conference will be held at a place and time selected by the Internal Revenue Service, but no sooner than 14 calendar days after the date by which the response must be filed with the Internal Revenue Service, unless the respondent agrees to an earlier date. An authorized representative may represent the respondent at the conference.

(f) *Suspension*—

(1) *In general.* The Commissioner, or delegate, may suspend the respondent from practice before the Internal Revenue Service by a written notice of expedited suspension immediately following:

(i) The expiration of the period within which a response to a show cause order must be filed if the respondent does not file a response as required by paragraph (d) of this section;

(ii) The conference described in paragraph (e) of this section if the Internal Revenue Service finds that the respondent is described in paragraph (b) of this section; or

(iii) The respondent's failure to appear, either personally or through an authorized representative, at a conference scheduled by the Internal Revenue Service under paragraph (e) of this section.

(2) *Duration of suspension.* A suspension under this section will commence on the date that the written notice of expedited suspension is served on the practitioner, either personally or through an authorized representative. The suspension will remain effective until the earlier of:

(i) The date the Internal Revenue Service lifts the suspension after determining that the practitioner is no longer described in paragraph (b) of this section or for any other reason; or

(ii) The date the suspension is lifted or otherwise modified by an Administrative Law Judge or the Secretary of the Treasury, or delegate deciding appeals, in a proceeding referred to in paragraph (g) of this section and instituted under §10.60.

(g) *Practitioner demand for §10.60 proceeding.* If the Internal Revenue Service suspends a practitioner under the expedited suspension procedures described in this section, the practitioner may demand that the Internal Revenue Service institute a proceeding under §10.60 and issue the complaint described in §10.62. The demand must be in writing, specifically reference the suspension action under §10.82, and be made within 2 years from the date on which the practitioner's suspension commenced. The Internal Revenue Service must issue a complaint demanded under this paragraph (g) within 60 calendar days of receiving the demand. If the Internal Revenue Service does not issue such complaint within 60 days of receiving the demand, the suspension is lifted automatically. The preceding sentence does not, however, preclude the Commissioner, or delegate, from instituting a regular proceeding under §10.60 of this part.

(h) *Effective/applicability date*. This section is generally applicable beginning June 12, 2014, except that paragraphs (b)(1) through (4) of this section are applicable beginning August 2, 2011.

Subpart E — General Provisions

§ 10.90 Records.

(a) *Roster*. The Internal Revenue Service will maintain and make available for public inspection in the time and manner prescribed by the Secretary, or delegate, the following rosters —

(1) Individuals (and employers, firms, or other entities, if applicable) censured, suspended, or disbarred from practice before the Internal Revenue Service or upon whom a monetary penalty was imposed.

(2) Enrolled agents, including individuals —

(i) Granted active enrollment to practice;

(ii) Whose enrollment has been placed in inactive status for failure to meet the requirements for renewal of enrollment;

(iii) Whose enrollment has been placed in inactive retirement status; and

(iv) Whose offer of consent to resign from enrollment has been accepted by the Internal Revenue Service under §10.61.

(3) Enrolled retirement plan agents, including individuals —

(i) Granted active enrollment to practice;

(ii) Whose enrollment has been placed in inactive status for failure to meet the requirements for renewal of enrollment;

(iii) Whose enrollment has been placed in inactive retirement status; and

(iv) Whose offer of consent to resign from enrollment has been accepted under §10.61.

(4) Registered tax return preparers, including individuals —

(i) Authorized to prepare all or substantially all of a tax return or claim for refund;

(ii) Who have been placed in inactive status for failure to meet the requirements for renewal;

(iii) Who have been placed in inactive retirement status; and

(iv) Whose offer of consent to resign from their status as a registered tax return preparer has been accepted by the Internal Revenue Service under §10.61.

(5) Disqualified appraisers.

(6) Qualified continuing education providers, including providers —

(i) Who have obtained a qualifying continuing education provider number; and

(ii) Whose qualifying continuing education number has been revoked for failure to comply with the requirements of this part.

(b) *Other records.* Other records of the Director of the Office of Professional Responsibility may be disclosed upon specific request, in accordance with the applicable law.

(c) *Effective/applicability date.* This section is applicable beginning August 2, 2011.

§ 10.91 Saving provision.

Any proceeding instituted under this part prior to June 12, 2014, for which a final decision has not been reached or for which judicial review is still available is not affected by these revisions. Any proceeding under this part based on conduct engaged in prior to June 12, 2014, which is instituted after that date, will apply subpart D and E of this part as revised, but the conduct engaged in prior to the effective date of these revisions will be judged by the regulations in effect at the time the conduct occurred.

§ 10.92 Special orders.

The Secretary of the Treasury reserves the power to issue such special orders as he or she deems proper in any cases within the purview of this part.

§ 10.93 Effective date.

Except as otherwise provided in each section and Subject to §10.91, Part 10 is applicable on July 26, 2002.

John Dalrymple,
Deputy Commissioner for Services and Enforcement

Approved: June 3, 2014
Christopher J. Meade,
General Counsel

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