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# TAX BOARD BULLETIN

VOLUME 35, ISSUE 1

JULY 2011

## Message From the Board Chair ~ Dorothy Hudson ~

There are currently two main questions being addressed to the Board:

1) What are we doing about national licensing; and 2) Why the increased hours for the consultant's exam?

First, the Board is well aware that changes to Oregon licensing will be necessary. We are watching national licensing very closely. As practitioners, I believe we want to see the same level of competency and quality for tax preparers in Oregon that we currently have. Our standards should not be lowered just because we now have a national license to deal with. Several questions remain unanswered. Will the national license have any validity to it? Will it be a hard enough test to establish basic knowledge? How effective will the enforcement be? Will we still need the dual licensing? What about the ownership of a business and the experience required for the consultant's license? What is the best way for the Board to continue to protect Oregon consumers? Your input during the next year will be important as we watch this new phase unfold.

Second, why did we change the minimum number of hours required to take the consultant's exam? Remember that originally, the rules stated that to take the exam the preparer must have a minimum of 780 hours during two

of the last five years. In analyzing the purpose of the consultant's license, along with the duties and privileges of a consultant, it was determined by the Board that those duties really required more experience. Consultants can open their own businesses. They can work independently of one another. They supervise the work of other licensees. And they are responsible for the training of preparers. However, to be fair to those preparers already in the system, we made the increased experience requirement a "phase-in." This change was made to the rules in an effort to increase the competency of those who owned businesses. I think you will agree after looking at the responsibilities of a consultant, that this change was necessary. I believe it will make our profession better.

The office staff has been doing a great job. Things have been running smoothly. We have a great instructor's workshop scheduled for August 9th, and our annual "outreach" luncheon is coming up in the fall. As usual my closing request is for each of you to stay informed. Everyone is welcome to attend the Board meetings. If you aren't able to attend, you can read the minutes online. Please be sure to give us your ideas and to voice any concerns you may have. I hope to see you at a Board meeting soon!

# Board of Tax Practitioners

## 3218 SE Pringle Road #120, Salem, Oregon 97302

### 2011/2012 Annual Calendar

All meetings are open to the public unless otherwise stated. The Tax Board encourages interested licensees to attend any public meeting. Your input is appreciated!

Meeting notices and agendas are located on the Tax Board Web site at [www.oregon.gov/OBTP](http://www.oregon.gov/OBTP) approximately two weeks prior to the scheduled meeting date. A map and directions to the Board of Tax Practitioners office, which is located in the Morrow Crane Building, is available via our Web site. If notices and agendas have not been posted, please e-mail the Board office at [tax.bd@state.or.us](mailto:tax.bd@state.or.us) to find out when they will be posted.

*Pursuant to ORS 192.660(1), Executive Sessions are closed to members of the public.*

Month / Time	Topic	Location	Comments
<b>2011</b>			
January 6 <sup>th</sup> 9:00 a.m.	Board Meeting	Salem Morrow Crane Building	Public Welcome
May 10 <sup>th</sup> & 11 <sup>th</sup> 9:00 a.m.	Exam Work Sessions	Salem Morrow Crane Building	Exam Work Sessions Executive Session
May 12 <sup>th</sup> 9:00 a.m.	Board Meeting	Salem Morrow Crane Building	Public Welcome
July 12 <sup>th</sup> & 13 <sup>th</sup> 9:00 a.m.	Exam Work Sessions	Salem Morrow Crane Building	Exam Work Sessions Executive Session
July 14 <sup>th</sup> 9:00 a.m.	Board Meeting	Salem Morrow Crane Building	Public Welcome
August 9 <sup>th</sup> 9:00 a.m.	Instructor Workshop	Holiday Inn Express Portland South	Public Welcome
September 29 <sup>th</sup> <b>OUTREACH MEETING</b>	Board Meeting	Shilo Inn Newport	Public Welcome
September 29 <sup>th</sup> <b>OUTREACH MEETING</b>	Licensee Luncheon	Shilo Inn Newport	Licensee Luncheon
November 10 <sup>th</sup> 9:00 a.m.	Board Meeting	Salem Morrow Crane Building	Public Welcome
December 10 <sup>th</sup> 9:30 a.m.	Board Administered Examination	Winema Place NW Center Building 50 4061 Winema Place NE Salem, Oregon	Space availability is 275 candidates. Application deadline: November 10, 2011
<b>2012</b>			
January 5 <sup>th</sup> 9:00 a.m.	Board Meeting	Salem Morrow Crane Building	Public Welcome

- Meeting times and locations are subject to change. Please refer to the following URL for up-to-date information: [http://www.oregon.gov/OBTP/public\\_meetings.shtml](http://www.oregon.gov/OBTP/public_meetings.shtml)
- Committee meeting dates, times and locations will be scheduled as needed.

# TAX BOARD BULLETIN

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## Message From the Executive Director

*~ Ron Wagner ~*

We have just come out of one of the most important periods of the last 2 years; that is the Oregon Legislative Session.

As a state agency, the Board is required to submit a document, referred to as the Agency Request Budget, in August of each even year. This document requests the spending authority for the agency for the following biennial cycle. The Agency Request Budget is eventually transferred into the form of a bill and sent to the Ways and Means Committee. Our budget bill, House Bill 5044 (HB 5044) was assigned to the Ways and Means, General Government subcommittee. A public hearing was held on February 24, 2011, at which time I gave a presentation about the agency, including our mission and our priorities.

Our budget was approved and passed out of the full Ways and Means Committee, signed by the co-speakers on June 14<sup>th</sup> and signed by the senate president on June 15<sup>th</sup>.

We asked for two new packages for the next biennium. The first was to hire a part-time office specialist to help with the workload during our extremely busy times and to perform general office duties which would free up some of the existing staffs' time. We felt that by shifting the general office duties away from each staff person would allow the staff to concentrate on their specific duties and increase the customer service we provide. Unfortunately, this package was not approved. In spite of this package not being approved we will

continue to work hard to provide you with the same excellent service to which we have always strived.

We also asked to spend \$40,000 on a public awareness campaign. This amount represents approximately 4% of the agency's budget. The Board of Directors and the staff are all in agreement that the public can be better protected only if the public is aware that the Board exists and knows of the protections offered to them through the Board. Unfortunately, this item was also deleted from the budget. Increasing the public's awareness of the Board and the protections offered to them by the Board is still important to us. We will continue to look for creative ways to accomplish this goal. One step we have taken is to require that all tax practitioners include their license number on their business cards or other advertisements. This change will become **effective July 1, 2012** to give you ample time to use up your current inventory of business cards and to allow you time to plan for the change. We hope that the public will come to recognize and expect to see that number on all advertisements just as they recognize and expect to see the CCB# for all contractors. We will cover this issue again with additional details and policies in a future newsletter. Other legislative changes are covered in the article by Jane Billings on page 7.

The newsletter remains one of our best ways to communicate important information to you in a timely manner. So I hope you take the time to read through the entire newsletter.

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## NEWSLETTER SCHEDULE

Newsletters will be prepared and released on the following dates: July 31st and November 15th. If you would like to see articles concerning certain topics or updates included within our newsletters, please contact the Board office at (503) 378-4034.

# TAX BOARD BULLETIN

## Message From the Compliance Specialist/Investigator

~ *Monica J. Walker* ~

Whew! Another tax season over – hope you all survived and thrived! Statistics from the 2011 tax season indicated a possibility of non-compliance in the following areas. Along with the statistical findings, I have added some tips to ensure compliance that you *may* find helpful.

### Unlicensed Activity

A person must be licensed as a tax practitioner (preparer/consultant) in the state of Oregon to prepare, advise or assist in the preparation of personal income tax returns for another for valuable consideration.

If you hold a consultant license, your license expires on May 31<sup>st</sup> annually. If you hold a preparer license, your license expires on September 30<sup>th</sup> annually. Even though the Oregon Administrative Rules allow a licensee time to renew their license of up to fifteen (15) days after the license expiration date without a reactivation fee, a licensee may not work during those fifteen (15) days preparing, advising, or assisting with personal income taxes.

If your practitioner license is expired you shall remove it from public view as the license is no longer valid. Accordingly, you should also remove any business cards or advertising indicating personal income tax services until your practitioner's license has been reactivated.

Please keep in mind that if you have placed your license in an inactive status or you have allowed your license to lapse for more than three (3) years past the expiration date (LTC = May 31<sup>st</sup> / LTP = September 30<sup>th</sup>), you are ineligible for license renewal and are required to apply and successfully pass the examination(s) again.

*Tip(s) to ensure compliance:* I encourage all business owners to take a proactive approach with their consultants and preparers. Notify and check with each of your practitioners to ensure that everyone renews their license timely. As all licenses show an expiration date, make sure all licenses posted are current. Use the

Licensee Look-Up feature on the Board's Web site to verify whether or not an individual is appropriately licensed, as well as in active status.

### Unregistered Business

If you are a licensed/non-licensed business owner who offers personal income tax services out of a store front, within another business, or within your home, you must hold a valid business or branch registration with the Board prior to providing personal income tax services in the State of Oregon for another and for valuable consideration.

All Business/Branch registrations expire annually on June 15<sup>th</sup>, except those owned by licensed tax preparers – which expire annually on October 15<sup>th</sup>.

If your business/branch registration is expired, you shall remove it from public view as your business registration has been closed and is no longer valid. In order to reinstate your business registration, you must file a new business registration form. Accordingly, you should also remove any business cards or advertising indicating personal income tax services until your business/branch is properly registered. In addition, you must discontinue offering any personal income tax services until your new business/branch registration has been issued.

*Tip(s) to ensure compliance:* All registrations display an expiration date as well as the name

of the resident and designated consultant listed for the location. Again, I encourage all business owners to take a proactive approach and make sure the business registration and all branch office registrations posted are current. Use the Licensee Look-Up feature on the Board's Web site to verify whether or not a business or branch is appropriately registered and in active status.

### DC/RC Requirements & Supervision

To provide clarification, the following is a list of

# TAX BOARD BULLETIN

## Compliance ~ (Continued from page 4)

the differences between Designated and Resident Consultant.

### Designated Consultant (DC)

- 1) A DC is responsible for **ALL** tax preparation activities of a business/branch office.
- 2) An LTC may act as the DC for only one tax preparation *\*business* at a time. The Board may review and approve a written request for a waiver of this requirement.

*\*There is no limit as to how many branches an LTC may act as the DC for at a time.*

### Resident Consultant (RC)

- 1) A RC is accountable for being **physically** present to conduct and carry out his/her duties, i.e., be available and respond to questions from the public as well as any LTPs employed by the business/branch office for at least 50% of the time an office is *\*open to the public* for tax preparation, assistance and advice, (50% weekly from Jan. 1<sup>st</sup> to the federal filing deadline, and 50% a month for the remainder of the year for year-round offices).
- 2) An LTC may act as the RC for more than one tax preparation business/branch office, without a written request for waiver and approval of the Board, provided they are physically present in the business/branch office for 50% of the time the office is *\*open to the public* for business. If an LTC wishes to act as the RC for less than the required percentage of time (50%) – a written request for waiver and Board approval is required.

*\*Hours in which the public has access to the business – NOT hours in which the business is occupied.*

### Supervision

Each business and branch office must be under the management and supervision of an LTC, unless exempted from the Board's jurisdiction under ORS 673.610. Please note; the LTC does not necessarily have to be the DC or RC. The supervision must allow for the direct and immediate control of the LTP to the extent that the LTC has adequate opportunity to correct or add to the reasoning applied by the LTP and that there is a system in place for training and review of the LTP.

The level of immediate and on-site supervision required depends on the amount of preparation experience of the preparer(s).

### General Information

For most businesses the DC/RC will be one and the same individual, especially if the business does not have more than one branch office.

If you have any changes to your business/branch office's DC/RC, you must report the change(s) in writing to the Board office within 15 business days of the change. To file a change, you, as the business owner, are asked to submit a completed Business Registration (B-Reg) form marked as **amended**. No fee is assessed for changes you make to your business/branch office DC/RC.

*Tip(s) to ensure compliance:* Review and become familiar with the following Oregon Administrative Rules. Designated Consultants – OAR 800-025-0040. Consultant in Residence – OAR 800-025-0060. Management and Supervision of a Tax Preparation Business – OAR 800-025-0050.

### Return of Records

You, as licensees, must comply with your clients request for the return of their records. You are prohibited from withholding a client's records in an effort to gain payment for services.

*Tip(s) to ensure compliance:* Have the client provide you with a written and dated request for the return of their records. Create a list of the records being returned and require that your client signs and dates a release when they take possession of their records.

### Keeping of Records

Several licensees called this last tax season to inquire as to the requirements for keeping client records.

You shall keep your client records for not less than four (4) years after the date you provided assistance and/or advice to a client or prepared a client's return.

*For example:* You interviewed a potential client on January 12, 2011, and created a document listing information gained as well as notes on advice given during the interview. You must retain a copy of the document listing the information gained and the notes on advice given until January 12, 2015. This same client

# TAX BOARD BULLETIN

## Compliance ~ (Continued from page 5)

returns with additional information and verification needed to complete their return on March 12, 2011, and you complete and file their personal income tax return. You must retain a copy of the filed return until March 12, 2015. You can also choose to retain the client's entire file (the interview documentation, notes and filed return) until March 12, 2015, and still be in compliance with the keeping of records requirements.

*Tip(s) to ensure compliance:* Review and become familiar with the following Oregon Revised Statutes and Oregon Administrative Rules.

ORS 673.690  
OAR 800-025-0070

### Posting of a Basic Fee Schedule

If you, as a licensee or business owner, *advertise* a discount, it is required that you post a basic fee schedule in clear public view. The Board's definition of advertise/advertising includes any form of printed, broadcast or electronic material that makes known professional tax services. If the advertising falls under the Board's definition and you offer a discount of any kind, you must post a basic fee schedule in clear public view. The fee schedule must include the minimum fees charged for at least the following forms and schedules: 1040, 1040A, 1040EZ, Schedule A, Schedule B, Schedule EIC, Form 2441, Form 8812, Oregon 40 and Oregon 40S.

*Tip(s) to ensure compliance:* If you offer a discount that is advertised – post a basic fee schedule. OAR 800-010-0050(5).

### Signature Requirements

Many of you have contacted the Board office inquiring as to the requirements regarding signatures on a return (state or federal) that has been e-filed.

The Board adheres to the requirements established by the Internal Revenue Service for e-file signature authorization in which a Form 8879 must be completed for all returns that are e-filed. Provided a licensee can produce a copy of a completed Form 8879 for all returns e-filed, the Board considers the licensee to be in compliance with its signature requirements.

*Preview of November 2011 Compliance Article:* I will provide information and tips on what licensees should look for during tax season as well as detailed information on what the Board needs by way of evidence in order to establish a solid case and take action against individuals who are not in compliance.

Until then, I wish you all a relaxing summer and fall. Don't hesitate to contact me if you have questions, concerns or need clarification on compliance information. Phone: (503) 378-4860 or e-mail [monica.j.walker@state.or.us](mailto:monica.j.walker@state.or.us).

## Volunteer Translation Services ~ Alan Twombly ~

**Attention all licensees:** Do you speak a language other than English? If so, the Board could use your help from time to time. When we are investigating unlicensed activities we sometimes don't know for sure what is being said or what has been written. We are trying to develop a list of volunteers to aid us in translation or maybe even occasionally make an anonymous call to see if unlicensed activity going

on. This is your chance to help and maybe get to know what the Oregon Board of Tax Practitioners does for you. As a new licensee, I really had no idea what all the Board really did. As a second year tax professional, I had my first interaction with the Board assisting in an investigation. And look where I am now! So get involved and help us help you and the consumer get the protection we all deserve!

## Current Changes: How Do They Affect You? ~ Jane Billings ~

As a tax professional you are governed not only by the Oregon Revised Statutes (ORS) but by Oregon Administrative Rules (OAR). Following the Rules Advisory Committee meeting held in the fall of 2010, the Board meeting in January of 2011, and current Legislative approval, there have been a number of important changes made that affect you as a licensee and that you should be aware of. Some of these changes went into effect on February 1, 2011; others become effective on July 1, 2011 and July 1, 2012.

Two important changes to the Oregon Revised Statutes that you should be aware of include the requirement of all tax practitioners to possess a preparer tax identification number (PTIN) as required by the Internal Revenue Service, and the increase in hours from 780 to 1,100 work experience necessary as a tax preparer to qualify to take the consultant exam. Both of these changes will go into effect in 2012. The requirement to possess a PTIN is effective January 1, 2012. Effective July 1, 2012, candidates for the consultant exam will be required to have a minimum of 1,100 hours of work experience as a tax preparer to qualify.

Licensees will want to take note of changes made to Chapter 800 of the Oregon Administrative Rules. Some of these changes are new and others help define or clarify existing rules. A number of these changes were designed to benefit you and to help you and your business practices.

The following are important changes that became effective on February 1, 2011:

### **Identification**

This rule change requires that state personal income tax returns shall include the signature and Board issued license number of the licensee who has substantially prepared the return. (OAR 800-010-0040)

### **Advertising and Solicitation**

Advertising is defined as any forms of printed, broadcast or electronic material. (OAR 800-010-0050)

### **Continuing Education**

This rule change allows licensees more flexibility in the selection of correspondence and online study courses when fulfilling their continuing education requirement. Courses approved by CTEC, NASBA, QAS, IRS and NATP will be automatically accepted for continuing education if the subject matter complies with the administrative rule defining acceptable areas of study for licensees. Correspondence and self-study courses not approved by outlined sponsors will still require Board approval.

Changes will not affect current rules related to live seminars, live group webinars or live phone forums. These courses are accepted/not accepted based on compliance with rules pertaining to acceptable/unacceptable areas of study. Creation of this rule change allows licensees a greater selection of courses to choose from, the intent

# TAX BOARD BULLETIN

## Changes ~ (Continued from page 7)

being that licensees will select courses that are most beneficial to their practice.  
(OAR 800-015-0010)

### **Management and Supervision of Tax Preparation Business**

This rule specifies that licensed tax preparers must have 240 hours in conjunction with the required 1 year tax preparation experience, within the previous 3 years, to allow them the ability to work without the immediate, onsite supervision of more experienced personnel when preparing, advising, or assisting in the preparation of tax returns. Employers should take due diligence when hiring preparers to insure that they work the required hours and timeframe prior to being allowed to work without immediate supervision. It would be helpful to retain documentation related to work experience hours in the preparer's personnel file. You may wish to require all new employees provide documentation such as prior year's final pay stub or documentation from prior employees. These, of course, are just recommendations.  
(OAR 800-025-0050)

### **Consultant in Residence**

This rule requires that all tax preparation businesses notify the Board within 15 business days of any change of resident consultant.  
(OAR 800-025-0060)

### **Civil Penalties**

You may like to review additions made to the civil penalty matrix.  
(OAR 800-030-0025)

### **Inspections, Evaluations and Investigations**

This is a new rule that gives authority to Board representatives to inspect, investigate or evaluate a business or branch office. This rule was added as a general change for consistency with other state agencies as well as to conform to industry standards. (OAR 800-030-0030)

The following are important changes that became effective on July 1, 2011:

### **Fees**

The fees for the tax preparer initial license were reduced from \$80 to \$50. New preparers have the expense of education, exam fees and initial license fees. The intent of this rule change was to assist new licensees with some of the expenses incurred when obtaining their initial license.  
(OAR 800-020-0025)

The following are important changes that will become effective on July 1, 2012:

### **Advertising and Solicitation**

This is an important upcoming rule change all licensees should be aware of. This new requirement requires that all business advertising include the Board issued registration number and/or the license number of the firm's designated consultant. This rule also requires that all individual advertising include the licensee's Board issued license number. Keep in mind as stated above, advertising is defined as forms of printed, broadcast or electronic material. This does not apply to sports team jerseys or caps.  
(OAR 800-010-0050)

### **Application for Examination**

For all preparers wishing to pursue licensure as a tax consultant, you will want to pay attention to this rule change which increases hours of work experience required to qualify to take the consultant examination form 780 to 1100 hours within a minimum of two of the past five years.  
(OAR 800-020-0015)

If you have questions or concerns about any of these changes please call the Board office for clarification. We are happy to help.

## Hey, Did You Know? Continuing Education Update Know Your Options ~ Jane Billings ~

**Did you know** licensed tax consultants or preparers renewing a license are required to submit by self-attestation on the renewal form that they have completed at least 30 hours of acceptable continuing education since the last renewal date?

Continuing education credit will be accepted only for courses and seminars that comply with all Board rules regarding continuing education as per OAR 800-015-0010.

Seminars and live-group continuing education courses are acceptable and do not require Board approval if the content directly relates to the expertise of the individual in the preparation of personal income tax returns. It is up to each licensee to choose appropriate seminars.

**Did you know** that self-study and online correspondence courses no longer need to be preapproved by the Board if they have already been approved by the California Tax Education Council (CTEC), Internal Revenue Service (IRS), National Association of State Boards of Accountancy (NASBA), National Association of Tax Professionals (NATP), Quality Assurance Services (QAS) or by such other sponsors as may be approved by the Board as per OAR 800-015-0010?

Continuing education sponsors of self-study and/or online correspondence courses that have not been approved through one of these organizations and wish to be approved by the Board must submit the “*Certification Application for Certification of Continuing Education*” along with the “*New/Changed Course Time Allotment Explanation*” form. Sponsors are also required to submit a course outline and any accompanying workbooks and exams prior to offering the material. The Board will review the documentation and make a determination for hours of credit. The Board will maintain a listing of these approved sponsors and courses on its Web site. Only sponsors not already approved through one or more of the organizations listed above will be on this list.

If a course is approved by one or more of the organizations listed above, and the subject matter relates directly to the preparation of personal income tax returns, then it should be acceptable continuing education for renewal of your tax practitioner license. Not all courses approved by CTEC, IRS, NASBA, NATP, and QAS will be acceptable continuing education for renewal. If a licensee claims credit for a course or seminar believing that the instruction qualifies as acceptable continuing education, but the Board finds during the annual audit that it is unacceptable, the licensee may be granted

# TAX BOARD BULLETIN

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## Did You Know? ~ (Continued from page 9)

additional time to make up the hours that were rejected.

The following links should assist you in locating continuing education.

### California Tax Education Council (CTEC)

<http://www.ctec.org/ProviderSearch.aspx>

### Internal Revenue Service (IRS)

A list of approved courses and sponsors is not currently available on the IRS Web site. One way to find a qualified sponsor would be to search the internet for CE providers for Enrolled Agents. You should ask the sponsor if it has entered into an agreement with the Internal Revenue Service. If it has entered into an agreement, it can provide you with its sponsor and/or program number(s). Another option would be to contact the IRS by phone (213) 234-1280 or e-mail [opr@irs.gov](mailto:opr@irs.gov) to verify that a course is approved by the IRS.

### National Association of State Boards of Accountancy (NASBA)

<http://www.learningmarket.org/page.cfm/Link=10/t=m/goSection=7>

### National Association of Tax Professionals (NATP)

<http://www.natptax.com/EventsAndEducation/eEducation/SelfStudy/Pages/default.aspx>

### Quality Assurance Services (QAS)

<http://www.learningmarket.org/page.cfm/action=ExhibList/ListID=1/t=m>

### Approved Correspondence Courses (OBTP)

[http://www.oregon.gov/OBTP/approved\\_corresp\\_courses.shtml](http://www.oregon.gov/OBTP/approved_corresp_courses.shtml)

*Learning is a treasure  
that will follow its owner everywhere  
Chinese Proverb*

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## Thank You!

**THANK YOU** to the tax consultants and preparers who contributed to the exceptional Item Writing Committee workshops this year. You each deserve recognition for your hard work, patience and positive attitudes.

The Consultant Item Writing Committee workshop held on April 21 & 22 and the Preparer Item Writing Committee workshop held on June 3 & 4 were both successful and very productive. The volunteers spent two grueling days reviewing each and every examination question in the item bank: updating existing questions, checking and updating references, creating new questions, and making recommendations for the Board's final consideration.

Thank you to the following individuals for a job well done:

Annette Saarinen, Kay Lee, Heather Search, Janet Cranston, Sheila Howe, Debra McKinney, Judith Smith, Scott Weinert, Susan Gallagher-Smith, Nancy Corr, Mamie Carter, Diana Ackerman, Danny Stanfield, Stockton Miller-Jones, Anita Robinson, Sharon Lezin, Jane Gamble-Hall, Kathleen Franklin, Robert Goetz, Janet Sugrue, Maddy Gaoiran, Sheila Howe, Stephanie Pinniger, Glen Branfield, Vona Pease, Henrietta Browning, Patty Millsbaugh, Judy Armstrong, Candace Morris, Neil Gibson, M. Carole Fittro, MaeLynne Doersch, Donna Hines, Mary Ann Matlock, Gerry Bogan-Morgan, Laurie Apker, and Melissa Hansen.

# TAX BOARD BULLETIN

## Responsibilities of a Designated/Resident Consultant

~ Jess Gutierrez ~

Over the years, I have seen tax preparers become more reliant on their computers to think for them. Just plug in a few numbers, and *presto* you have the right answer (just like TurboTax, right?). Computers are a wonderful tool and I probably would not be in the industry if I had to prepare tax returns by hand, but as professionals we have an obligation to our customers to be able to explain in detail each form used and how each law was applied on that form. I have seen preparers freeze when asked a simple question because they are too reliant on the computer knowing all the answers. The Oregon Administrative Rules spell out the **minimum** responsibilities for both Designated and Resident consultants in the supervision of licensed tax preparers (OAR 800-025-0050). We can use these rules to help mentor the inexperienced, and in turn our own knowledge will be strengthened. Two key measures will assist us in determining how well we have done our jobs as both a preparer and a supervisor.

First, what are your company/branch error rates? What are the individual preparer error rates, both before being sent to the IRS and after the IRS has received them? **OAR 800-025-0050** states that supervision must include “An examination and review of all personal income tax returns for errors under the direct supervision of the Licensed Tax Consultant or a Licensed Tax Preparer chosen based on experience and reviewing ability; and giving notice to the Licensed Tax Preparer of any adjustments after examination and review.” As an LTP, does the company you work for follow these procedures? Are you given timely feedback on **any adjustments** as required by the rule? Every licensed preparer, especially the inexperienced, should demand feedback on returns prepared from a supervising consultant. It is difficult for a preparer to improve if they are not informed of errors and omissions. As a supervising consultant, you must understand and follow these requirements. If so, you will see your preparers develop more quickly with a reduced error

rate. If these requirements sound foreign to any of you, a discussion with your consultant or company is needed.

Second, how are your preparers progressing professionally? Do they have the skills to conduct a thorough interview covering all areas of tax law, and not just what was on the return last year? Have they been given any training on independent thinking, or do they just follow the on-screen prompts? **OAR 800-025-0050** tells us that supervision includes “The direct and immediate control of the Licensed Tax Preparer by the Licensed Tax Consultant in such a manner that the LTC is aware of the line of questioning and the reasoning applied by the LTP in the preparation of each return, and that the LTC has adequate opportunity to correct or add to the reasoning applied by the LTP.” As supervisors, are we aware of which preparer is matched with a complex return, or is it left up to the receptionist? Remember, we are responsible for the **line of questioning and reasoning** of every return prepared by an LTP. In bigger firms, how is this rule followed? Is it ignored?

I believe tax consultants should take our responsibilities one step further if we are to fully comply with these rules. We should mentor the inexperienced LTPs and get them involved in advanced **quality** training—work with them on interview techniques, etc. We can then take pride in answering these additional types of questions: how many of my LTPs have passed the LTC exam? How many passed on the first attempt? Am I always able to assist them in finding the correct answers to questions, etc.? As leaders we should take responsibility for developing those we supervise into knowledgeable professionals. By going beyond the “minimum” requirements, we will be able to achieve this goal. By the way, I take these requirements very seriously, and over the years my LTP first attempt pass rate for the LTC examination is over 80%. I am also always available to answer questions.

# TAX BOARD BULLETIN

## Renewal Responsibilities

Here are a few reminders for preparers renewing licenses this fall.

First, read your renewal notice carefully. This insures you'll comply with the Board's requests, and that your renewal will be processed in a timely manner. If you have any questions, give our office a call to prevent processing delays. In the past several licensees have overpaid because they didn't read closely enough.

This year the Board asks licensees to provide a PTIN number to be in compliance with IRS Notice 2011-11:

All individuals who are compensated for preparing, or assisting in the preparation of, all or substantially all of a tax return or claim for refund of tax must have a preparer tax identification number. Individuals who are compensated for preparing, or assisting in the preparation of, all or substantially all of a tax return or claim for refund of tax must have a preparer tax identification number (PTIN).

So be sure to fill in that blank or we'll be calling you... and your license will be delayed until we hear back from you.

Once again, all the compliance questions must be answered. As noted in the Tax Board Bulletin, Volume 34, Issue 2, by Monica Walker, Senior Compliance Specialist:

\*Please note: \*Please note: The compliance section must be completed or your renewal will be rejected. In addition, if you answer 'YES' to any of the questions listed, you must attach a detailed explanation and provide date(s), location and nature of offense(s). The more detailed information provided, the more quickly the Board can make a determination regarding the case. Your documentation will be reviewed, and the Board will make a determination regarding the renewal of your license. You

will be notified of the Board's decision and, if approved, your license will be renewed. If your case has already been reviewed by the Board, you do not need to attach the explanation again, however you **MUST** continue to answer 'YES' for subsequent renewals. Failure to answer 'YES' may result in civil penalties for violating the Code of Professional Conduct.

So be sure to check a box for each question, or we'll need to call you. We will not be able to process your license until we hear back from you.

If you pay using a credit card, verify that card numbers are correct, no numbers are transposed, and that your payment will go through before you mail or fax in your renewal. If your payment is not approved by the credit card company your application will be delayed.

When faxing the Board, please be sure to keep the confirmation receipt showing your renewal form was faxed.

For the continuing education (CE) attestation portion of the renewal, all you need to do is write the total number of CE hours you have taken between September 2010 and September 2011. As has been the case for a few years now, **PLEASE DO NOT SEND IN CONTINUING EDUCATION CERTIFICATES**. The Board's files would be too full if we kept a certificate for every class that our licensees took. Just be sure to keep the originals for your records in case you are ever chosen for a CE audit.

Lastly, renew your license by September 30<sup>th</sup>. Remember, your license expires on September 30<sup>th</sup> and you cannot prepare, advise, or assist in the preparation of personal income tax returns if you did not submit your renewal by September 30<sup>th</sup>. Thank you in advance for your attention to the details of this license renewal process.

# TAX BOARD BULLETIN

## Double the Value of Your CE Credits

~ Toni Ellsworth & Janis Salisbury ~

Licenses are required to report a minimum of 30 continuing education (CE) hours every year. But many tax professionals often earn much more CE credit hours just to stay current with the ever-changing tax laws. The question often arises as to whether to report the minimum number of hours required, 30, or all hours actually taken. The answer is to report all hours taken. For example, if a taxpayer calls the Board asking about the qualifications of a licensee, it only adds credence to the licensee for the taxpayer to be told the licensee took much more than the minimal 30 hours. Give yourself credit where credit is due.

Not only do you want to receive credit for the CE hours earned, the Board gets credit for the hours as well. How is that? Let us explain. Our agency (Oregon Board of

Tax Practitioners), as well as all state agencies, reports to the Oregon Legislature on Key Performance Measures (aka: KPMs). One of our KPMs is the average number of CE hours received by licensees. This is calculated using the total reported credit hours by all renewing LTCs and LTPs divided by the total number of licensees, resulting in an average number of CE credit hours obtained. We reported an average of 37.33 for calendar year 2009 and 37.36 for calendar year 2010.

Is the agency getting credit for all hours of CE earned by all licensees? We suspect not. The Board can only receive full credit if you report to the Board all CE hours you received. So double the value of your CE credits. Make sure *you and the Board* get the credit so rightly deserved.

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# TAX BOARD BULLETIN

## Management & Supervision of Tax Offices

~ Margaret A. Atchison, EA, LTC ~

Now is a great time to take inventory of your principal and branch tax offices to see if you have met all the compliance issues as stated in OAR 800-025-0050. Do you have at each location, a Licensed Tax Consultant assigned as the manager and supervisor of each Licensed Tax Preparer employed in that location? Can the Licensed Tax Consultant communicate at all times to the Licensed Tax Preparer when supervising client interviews so that the client receives correct and accurate information about current Federal and Oregon tax law? All personal returns must be reviewed for errors by a Licensed

Tax Consultant or a Licensed Tax Preparer whose experience and reviewing ability meets the competent workmanship and abiding by statutes and Board rules standard. Does the Licensed Tax Consultant go over any adjustments after the review with the Licensed Tax Preparer to explain why the adjustments were needed? Check your offices for providing current federal and state personal income tax reference material, and encourage your staff to refer to the references for each item that comes into question. Do all your staff know how to get reference material from online sources, such as, [www.irs.gov](http://www.irs.gov) and [www.oregon.gov](http://www.oregon.gov)?

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**Continuing Ed hours for Licensees:**

\$45 per 3 hours—your choice—just call ahead for class participation or through distance learning (quiz required). Check Website for details. Great preparation for Consultants or National Tests to come.

So you are all set for a compliance officer to visit your office. Licenses of consultants, preparers as well as business registration are in plain public view. There is no confidential information laying around for any bystander to read. Your employees are all licensed and continuing education is all up to date. In your front office no telephone calls are taken where names of clients can be heard in your waiting room. If you have a Licensed Tax Preparer who has worked in the tax office for less than 240 hours and only one year of tax return preparation experience during the previous three years, you have them under immediate, on-site supervision of a more experienced personnel when working as a preparer and advisor or doing any assistance in the preparation of tax returns. The staff is trained in all rules of the Board of Tax Practitioners section 800-025 Oregon Administrative Rules (OAR) and you will not have to worry about any visit from the Compliance Officer. Remember, just have a meeting of all employees periodically, and remind them of the current rules provided by the OARs so that your office will be violation free.

# TAX BOARD BULLETIN

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## ~ IMPORTANT ANNOUNCEMENT ~

### Board of Tax Practitioners 2011 Board-Administered Examination

**DATE:**

**Saturday, December 10, 2011**

**LOCATION:**

Winema Place at Chemeketa Community College  
4061 Winema Place NE, Building 50  
Salem, OR

**SIGN-IN:**

9:30 – 10:30 a.m.

**INSTRUCTIONS:**

10:30 – 11:00 a.m.

**EXAMINATIONS BEGIN:**

11:00 a.m.

**DURATION OF EXAMINATIONS:**

Preparer & consultant exams: 5 hours  
Consultant state-only exam: 1.5 hours

**All examinations are based on 2010 tax law and rules.**

To take an examination, you must submit all application materials and fees to the Board office **no later than 5 p.m., November 10, 2011**. The first 250 individuals to apply and qualify will get a seat. You will need government-issued photo identification to sign-in. You will not be allowed to take the exam without it. Candidates arriving after 10:30 a.m. will be considered "**no shows**" and will not be allowed to sit for the examination. "**No shows**" forfeit their examination fees. Admittance to the examination is restricted to approved candidates, Board members, proctors and staff. Family and friends are *not* admitted.

**If you have questions about the examinations  
call the Board office at (503) 378-4034.**

Applications are available on our Web site, [www.oregon.gov/OBTP](http://www.oregon.gov/OBTP)