

Table of Contents

IRS Return Preparer Initiatives	1
Fiscal Year 2013 IRS Return Preparer Letters.....	2
Letter 4810	2
Letter 5102	3
Letter 5105	5
Letter 5097	6
FAQs Pertaining to Preparer Responsibility	7
Abusive Return Preparer	10
Circular 230.....	13
Offices Administrating and Enforcing Circular 230.....	14
Office of Professional Responsibility	14
Return Preparer Office	15
Professional Designation.....	15
RTRP Update	16
Enrolled Agents	17
Registered Tax Return Preparers.....	17
Enrolled Actuaries	18
Enrolled Retirement Plan Agents	19
Competency Testing Exceptions	19
Information to be Furnished	20
Third-party Contact.....	20
Privileged Taxpayer Communication.....	21
Client Omission	22
Due Diligence	23
Restriction on Assistance	23
Restriction on Advertising, Solicitation and Fee Information	23
Advertising, Solicitation and Fee Information	23
Fees.....	24
Return of Client's Records	26
Conflicting Interests.....	26
Consent	27
Negotiation of Taxpayer Checks	27
Best Practices for Tax Advisors	27
Standards for Tax Return Positions and Preparation.....	28
Tax Returns	28
Documents, Affidavits and Other Papers	30
Advising Clients on Potential Penalties	30
Information Furnished by Clients.....	31
Covered Opinions.....	32
Federal Tax Issue.....	33
Principal Purpose	33

Reliance Opinion	33
Marketed Opinion	34
Condition of Confidentiality.....	34
Contractual Protection	34
Requirements for Covered Opinions	34
Procedures to Ensure Compliance.....	35
Practitioner Requirements for Covered Opinions	35
Requirements for Tax Returns and Other Documents	36
Other Written Advice	36
Incompetence and Disreputable Conduct	36
Censured, Suspended or Disbarred	38
Monetary Penalty.....	39
Additional Preparer Guidelines.....	41
Understatement of Taxpayer Liability.....	41
Understatement Due to Unreasonable Position	41
Willful or Reckless Conduct.....	49
No Understatement	50
Furnishing a Copy of a Return to a Taxpayer	51
Penalty.....	51
Signing Returns.....	51
Paper Return	51
Electronic Return	52
Penalty.....	52
Furnishing Identifying Numbers.....	52
Penalty.....	53
Keeping Copies or Lists of Returns.....	53
Penalty.....	53
Information Returns of Tax Return Preparers	54
Penalty.....	54
Negotiate or Endorse a Taxpayer's Check from the IRS	54
Penalty.....	54
Preparer Penalty Involving Earned Income Credit	54
EIC Due Diligence Requirements	55
Knowledge.....	55
Examples of Knowledge and Reasonable Inquires	56
IRS Forms Help With Knowledge Requirement	57
Avoiding Common Errors	58
Additional Preparer Penalties.....	65
Electronic Return Originator	66
Safeguarding Taxpayer Information.....	67
Wrongful Disclosure or Use.....	67
Knowing or Reckless Disclosure or Use	68
Disclosure of Tax Return Information.....	69
Disclosures NOT Requiring Taxpayer Consent.....	69

Disclosures Requiring Taxpayer Consent	71
Use of Tax Return Information	72
Rev. Rul. 2010-4.....	74
Obtaining Consent.....	74
Sample Consent Forms.....	76
Review Questions	77
Review Answers.....	80
Index	83