

Questions asked by Practitioner in Educational Course on §7216

The following is a sample of unedited questions and comments our members have made. We are not looking for an answer to each question. This is like the old saying, “forest vs. trees.” These questions are trees in the forest; please, in the real world, look through our eyes and tell us how to comply with the §7216 forest.

- 1) What is the difference between an engagement letter and §7216 disclosure form for doing work within the firm when the engagement letter exists before any engagement can be started?
- 2) We have a new client form that is filled out and from this, a client number is issued, all master information is retained on a Practice Management and Billing Program. No work can be done without a client number and project number. These two software’s are maintained separately from any application software (i.e.: Tax Software). Question: If mailing from these programs has no source or sharing of client’s tax data, does §7216 apply? Also, we have several clients that are not tax clients but are also in the Practice Management Software.
- 3) In the February NPL Meeting, a comment by Dave Williams was the “timing of the consent must be before you start the return,” yet most written material says that the consent must be made before the client gets the return. Explain or Clarify.
- 4) When completing the §7216 disclosure form, we ask, for example, which financial institution that they may want the information sent to. Question: The clients may later in the year want to refinance, but they do not know which financial institution they will contact at the time of the signing the disclosure form. How do we comply with §7216 in the real world in this case?
- 5) When picking up a new client and we review the prior returns (gain knowledge), when would §7216 apply and if it applies, how and what time would we get the §7216 disclosure form signed?
- 6) Is there a difference between the client requesting the firm to do additional work (start doing bookkeeping for example) verses the firm contacting the client for additional services?

- 7) No §7216 has been signed by the client and after tax season, the client gets a notice of adjustment or a notice they will be audited. Can the preparer do the representation?
This is a new project.
- 8) Does the tax professional have to have a §7216 disclosure form signed by the client to do a tax planner or charge for a phone call to answer a tax compliance question after the tax return is signed for the current year based on knowledge of last year?
- 9) What is the real intent of the new regulations in a real world definition?
- 10) I have a client for which I do monthly accounting, estate and retirement planning each year. If these are on going engagements, how do I stay compliant with §7216? Note: the above mentioned work is maintained on separate software and the information is from original source and not from tax software.
- 11) Our firm does personal financial statements. The balance sheet is based on fair market value and not cost or tax basis. When does the firm need a §7216 disclosure form signed?
- 12) If I am doing a tax planner based on this year's information and not last year's return, two things:
 - A) Do I have to have a §7216 form signed for next year before I gain knowledge of the next year's return as the result of the planner?
 - B) Do I have to have a §7216 signed for last year?
- 13) No §7216 form was signed or the request by the client was not on the §7216 disclosure form. The client has a state payroll audit and the agent requested a copy of the 1040. The payroll deduction is on the form 1040, Schedule C. Can we disclose the 1040 to the agent?
- 14) Is there a list of returns §7216 applies to?
- 15) Out of all these questions, where is the line? It seems very gray and offers little guidance.

- 16) In the past we always get a signed disclosure statement from the client at the time of a release to a third party. Why have a §7216 disclosure form before the return and the disclosure statement at the time of the release (to the specific third party)?
- 17) I am doing a tax return and discover an item on the return that I believe I may need help with. I call or email my question to my national organization and I also sanitize the question, client's name, social security number, etc
- A) Do I need a §7216 from the client to ask the question?
 - B) Is the research department a preparer, firm, or third party?
- 18) I am doing a tax return and discover an item on the return that I believe that I need help on. I send a copy to a tax professional who specializes in the particular tax issue
- A) Explain the step that I should take on §7216, and
 - B) If I sent only a form and not the whole return does that make a difference?
- 19) Clients are saying, "You have always done my work and you always get permission from me to release to third party when I need the information. Why do I need to sign a disclosure form?"
- 20) My client walks in the office and asks my receptionist who would be a good attorney for estate planning. She knows she is a very good client because of the relationship with the firm, so she refers her to an attorney. Does §7216 apply?

Thank you for taking the time to read and consider these questions. Any information or comments are appreciated. Thank you again.