ETHICS

– 2019

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- Circular 230 authorizes the Secretary of the Treasury to:
  - censure,
  - suspend,
  - disbar

    ----or----
  - penalize preparers or firms that employ preparers who are:
    - incompetent,
    - disreputable,
    - or who violate regulations.

2

- The Circular authorizes the IRS to establish enrollment procedures, institute practitioner proceedings and perform other duties.
- The rules then determine the application of Circular 230 to the oversight of all licensed tax return preparers.

3

- Circular 230 is the Standard of Conduct for Attorneys, CPAs, Enrolled Agents, Enrolled Actuaries, AFSP.
- On June 3, 2014 the IRS released Circular 230 regulations expanding Circular 230 ethical standards to all paid return preparers.

4

- On June 12, 2014 the IRS announced changes to Circular 230 affecting many practice areas, including the email disclosures commonly included by all tax professionals at the bottom of their emails.

5

- On June 26, 2014 the IRS also announced

New "voluntary certification testing"
for certain un-recognized preparers.

6

- New Voluntary

  "Annual Filing Season Program" (AFSP)

7

- The Annual Filing Season Program allow's unenrolled return preparers to obtain a record of completion when they voluntarily complete a required amount of continuing education (CE),
  - including a course in basic tax filing issues and updates,
  - ethics and other federal tax law courses.
  - Upon completion of the required continuing education and related 100 question test.

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AFSP – REPRESENTATION RIGHTS!

Effective for tax returns and claims for refunds prepared or signed after Dec. 31, 2014, only unenrolled tax return preparers who have a record of completion under the Annual Filing Season Program for the calendar year of preparation and the calendar year of representation will be permitted to represent taxpayers before the IRS during an examination of a return that they signed or prepared.

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REPRESENTATION RIGHTS!

Attorneys,
CPAs
Enrolled Agents

10

Discipline under Circular 230?

Attorneys,
Certified Public Accountants,
Enrolled Agents,
Registered Tax Return Preparers
Others –(AFSP)
are subject to the rules of Circular 230, Regulations Governing Practice before the Internal Revenue Service.

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Licensed Preparers
Legacy Preparers

These practitioners are subject to discipline under Circular 230 for failing to comply with these rules.

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Unlicensed Preparers

Individuals who prepare tax returns for a fee and who are not included in the above group of licensed preparers are still subject to oversight, but not at the same level as licensed "Legacy" preparers under Circular 230.

13

On Friday, Feb. 1, 2013 *the court modified its order to clarify that the order does not affect the requirement for all paid tax return preparers to obtain a preparer tax identification number (PTIN).*

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Registered Tax Return Preparers

RTRPs have the right to prepare and sign tax returns and claims for refund.

RTRPs also may represent clients before the IRS during audits of tax returns they prepare.

RTRPs must follow
the rules established in Treasury Department Circular 230.

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PTIN

Failure to have a current PTIN could result in the imposition of Internal Revenue Code section 6695 penalties, injunction, and/or disciplinary action by the IRS Office of Professional Responsibility.

16

PTIN

A PTIN must be obtained by all tax return preparers who are compensated for preparing, or assisting in the preparation of, all or substantially all of any U.S. federal tax return, claim for refund, or other tax forms submitted to the IRS except the following:

17

Name the forms that are exempt from having need to have a PTIN:

18

PTIN EXEMPT: (could be more!)

Form SS-4, Form SS-8, Form SS-16, Form W-2 series of returns; Form W-7, Form W-8BEN, Form 870, Form 872, Form 906, Form 1098 series; Form 1099 series; Form 2848, Form 3115, Form 4029, Form 4361, Form 4419, Form 5300, Form 5307, Form 5310, Form 5500 series; Form 8027, Form 8288-A, Form 8288-B, Form 8508, Form 8717, Form 8809, Form 8821, Form 8942,

19

PTIN

An employee who prepares his employer's federal tax returns is not required to sign as a paid preparer. Accordingly, unless the employee prepares other federal tax returns for compensation, he or she is not required to register and obtain a PTIN.

20

PTIN

- Who is a Supervised Preparer and

  required to have a PTIN?

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- Supervised preparers are individuals who do not sign, and are not required to sign, tax returns as a paid return preparer but are:
  - Employed by attorney or CPA, or EA firms

    OR
  - Employed by other recognized firms that are at least 80 percent owned by attorneys, CPAs, or Enrolled Agents

    AND
  - Who are supervised by an attorney, certified public accountant, enrolled agent, enrolled retirement plan agent, or enrolled actuary who signs the returns prepared by the supervised preparer as the paid tax return preparer

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When applying for or renewing a PTIN, supervised preparers must provide the PTIN of their supervisor. The supervisor's PTIN must be a valid and an active PTIN.

Supervised preparers may NOT:

- Sign any tax return they prepare or assist in preparing
- Represent taxpayers before the IRS in any capacity
- Identify themselves as a Circular 230 practitioner

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Consent Letters

IRC Section 7216 was added to the Code to prevent a preparer from disclosing or using taxpayer information without the taxpayer's consent.

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Consent Letters

Internal Revenue Code §7216

Violation of this code section is a criminal violation rather than civil.

A convicted preparer may be fined not more than $1,000 or imprisoned not more than one year or both, for each violation.

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Consent Letters

Preparers include

- paid preparers,
- VITA volunteers,
- contractors.

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Consent Letters

Disclosure of tax return information is the act of making tax return information known to any person in any manner whatsoever.

The regulations authorize two types of disclosures:

- Certain permissible disclosures without taxpayer consent
- Disclosures requiring taxpayer consent

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The regulations provide exceptions allowing tax return preparers to disclose tax return information without a taxpayer's prior written consent under certain circumstances:
(what are they?)

These and other exceptions can be found in Treas. Reg. §301.7216-2.

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Preparers must obtain consent to use tax return information before tax return information is used, and before returns are provided to the taxpayer for signature.

How long is the consent good for?

29

Any consent obtained after December 31, 2012, must contain the mandatory language provided in Rev. Proc. 2013-14.

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Example Rev. Proc. 2013-14 Consent Wording:

Federal law requires this consent form be provided to you. Unless authorized by law, we cannot disclose your tax return information to third parties for purposes other than the preparation and filing of your tax return without your consent. If you consent to the disclosure of your tax return information, Federal law may not protect your tax return information from further use or distribution.

You are not required to complete this form to engage our tax return preparation services.

If we obtain your signature on this form by conditioning our tax return preparation services on your consent, your consent will not be valid. If you agree to the disclosure of your tax return information, your consent is valid for the amount of time that you specify.

If you do not specify the duration of your consent, your consent is valid for one year from the date of signature.

If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484, or by email at complaints@tigta.treas.gov.

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Gramm-Leach-Bliley Act –

-the requirements of section 7216 do not override any requirements or restrictions of the GLB Act which are **in addition** to the requirements or restriction of section 7216.

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Under the new Circular 230

A practitioner may not willfully, recklessly, or through gross incompetence sign a return or refund claim or advise a client to take a position on a return or refund claim that lacks a reasonable basis, or is an unreasonable position under IRC Sec. 6694(a)(2), or is a willful attempt by the practitioner to understate the liability for tax or an intentional disregard of rules or regulations.

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Under the new Circular 230

- *The new standards relax the standards of conduct from "more likely than not" to "reasonable basis" and withdraw the September, 2007 proposed regulations*.

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Under the new Circular 230

A new category of misconduct under the new regulations includes: ?????????

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The final Regulations at 10.37 require practitioners to remove the need for tax professionals to ever use the Circular 230 disclaimers on documents, e-mails and any other written communications.

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INSTEAD OF A DISCLAIMER

- CONFIDENTIALITY NOTICE:

  This e-mail and any files transmitted with it are intended solely for the use of the individual or entity to whom they are addressed and may contain confidential and privileged information protected by law. If you received this e-mail in error, any review, use, dissemination, distribution, or copying of the e-mail is strictly prohibited. Please notify the sender immediately by return e-mail and delete all copies from your system.

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The preparer penalty standards of IRC Section 6694.

- Applies to all preparers
- Positions taken by tax professionals on returns must meet The "Substantial Authority" standard, which requires the tax professional to inform the client of all the penalties applicable to the taxpayer under IRC Section 6662.

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IRC Section 6694.

Example.

A taxpayer, during an interview conducted by you the preparer, stated that he had paid $8,500 in doctor bills and $11,000 in deductible travel and entertainment expenses during the tax year, when in fact he had paid smaller amounts.

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- On the basis of this information, you, the preparer properly calculated deductions for medical expenses and for travel and entertainment expenses which resulted in an understatement of liability for tax.
- The preparer (you) had no reason to believe that the medical expense and travel and entertainment expense information presented was incorrect or incomplete.

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- The preparer (you) did not ask for underlying documentation of the medical expenses but inquired about the existence of travel and entertainment expense records. The preparer You, were reasonably satisfied by the taxpayer's representations that the taxpayer had adequate records (or other sufficient evidence) for the deduction of $11,000 for travel and entertainment expenses.

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IRC Section 6694.

Are you, (or is the) preparer subject to a penalty under section 6694. ????

WHY?

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IRC Sec. 6694(b)(2)

- First, these regulations specifically provide that a position on a return or claim for refund must always meet the minimum threshold standard of reasonable basis.
- Second, these regulations provide that a practitioner is subject to discipline only after willful, reckless, or grossly incompetent conduct.
- Third, multiple practitioners from the same firm may be disciplined if their conduct in connection with the same act(s) does not comply with the standard of conduct required under §10.34.

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PRACTICE BEFORE THE INTERNAL REVENUE SERVICE

- *§ 10.1* 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

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Office of Professional Responsibility

- What is the OPR
  - DO?

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§ 10.21 Client Omission

- What must you as the preparer do?

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§ 10.21 Client 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 (tax) laws, 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.

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§ 10.22 Diligence as to accuracy.

- Can you explain what due diligence is?

48

- Due diligence, in the context of tax return preparation; is the diligence or care that a reasonable preparer would use under the same circumstances. If income is understated or deductions or credits are overstated on a client's return, the IRS will look at whether a practitioner was reckless in failing to review the client's information and whether the practitioner showed a lack of regard in the proper questioning of clients.

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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.

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Due-Diligence Requirement

- During the May 10, 2014, *Tax Talk Today* program, Karen Hawkins, director of the IRS Office of Professional Responsibility, said, "Preparers cannot blindly rely on tax organizers, when it is logical and obvious for preparers to ask the client certain questions, such as about the existence of foreign bank accounts."

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- If we cannot rely on tax organizers, now what do we do?

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As tax practitioners we need to take the time and effort necessary to question without actually auditing their clients.

By taking the questioning ***"far enough"*** to make accurate and reasonable determinations based on the clients' facts and circumstances, the preparer has met his/her due diligence requirements.

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- The due-diligence standards <u>once allowed</u> a Tax Return Preparer to rely in good faith and without verification on information provided by the client, 3rd parties, and information contained in previously filed returns….
- <u>But what now?</u>
  - <u>How do we meet the due-diligence standards?</u>

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Practicing Due Diligence

Let's discuss proper documentation.

If you have a high speed scanner; scan in your client's documentation.

If you use work papers … document your questions and the client's answers along with any conclusions you have drawn.

What other questions should we ask?

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Practicing Due Diligence

- Remember: If your questions and the client's answers are not documented, IRS says it never happened!!!

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§ 10.28 Client Records

What are client records?

What belongs to the Client?

As a preparer what rights do you have?

Depreciation Schedules?

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§ 10.29 Conflicts of Interest

This section 10.29 of circular 230, specifically prohibits the practitioner from representing both sides of a conflicting tax situation such as a divorce, business purchase or sale or merger and similar situations..

But … is there any time that you can represent both sides?

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§ 10.29 Conflicts of Interest

- Waiver of Conflict of Interest –Divorce

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Waiver of Conflict of Interest –Divorce

This document outlines the limitations and understanding inherent to preparing tax returns and other documents for individuals who are in the process of dissolution of their marriage or who were previously married. I cannot prepare your [insert tax year and type of filing] without the signed recognition by you of the following facts.

Performing this service for both of you presents an inherent potential conflict of interest.

While many of your interests may be unrelated or coincide, certain conflicts of interest may currently exist among you, and others may arise in the future. In theory, at least, each of you would wish to maximize your specific interests related to the services our firm will provide. Maximization of the interests of one party may result in a disadvantage to the other party, at least to some degree. Were we representing only one of you, we would actively pursue the best interests of that person. By contrast, the result of our concurrent representation may be that each of you may take into consideration or compromise with respect to issues of the other, and accept outcomes that are significantly less advantageous than could be secured to one or the other of you if each of you had retained independent tax advisors.

Therefore, prior to further involvement in the project, we request that you consent and agree to the following:

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- Waiver of Conflict of Interest –Divorce
  - You acknowledge that you have been made aware of the actual conflicts known at this time and the possibility of future conflicts between you.
  - You agree that we may represent each of you concurrently in connection with the project described in this memorandum, and you waive any conflict of interest which now exists or may arise in the course of such representation. You further agree that we may continue to represent either party in connection with matters not directly related to this project.
  - Notwithstanding the foregoing, in the event a dispute develops between any of you and the other participants, you agree that we may discontinue his representation of either party.
  - I cannot place information on your return that is in conflict with information I am also using in preparing your spouse's or former spouse's return.

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Waiver of Conflict of Interest –Divorce

You should note that any information provided to us by one of you may be shared with the other, without limitation. Each of you authorizes us to disclose their tax returns and confidential information to the other. This consent is valid for a period of three (3) years prior, through one (1) year following, the date of signature below.

If you are still married at the end of the tax year (i.e., December 31), you have the choice of filing a married filing joint or a married filing separate tax return. If you are not married at the end of the tax year, you may not file jointly. If you have a dependent child or children, one or both of you may be able to file as head of household. Please ask if you do not understand your filing status. As usual, you both must review the finished returns. Make sure you understand the information on them and that all income has been reported.

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Waiver of Conflict of Interest –Divorce

If you file a joint return, each of you is accepting joint and/or separate responsibility for any tax assessed on the return. That means that each filer can be held responsible for any and all additional tax, whether it is an unpaid liability on the return as submitted, or additional tax assessed later by the taxing authorities.

Although we do not give legal advice, you may want to make sure that your dissolution agreement states that any unpaid tax will be the responsibility of the spouse who generated that income. (Some states will honor this, although the IRS will not.) Please ask if you have further questions about your potential liability.

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Waiver of Conflict of Interest –Divorce

If we prepare joint returns for you that are later challenged by the IRS, we are not allowed to represent either spouse separately. We may represent both of you only if we believe we can do so objectively and with fairness to both, and if you both give written consent.

By signing below you consent to the concurrent representation subject to the potential conflict of interest as described above. ACCEPTED AND AGREED:

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§ 10.30 Fees.

- Do you know the rules about fee's?

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§ 10.30 Fees.

A practitioner may publish the availability of a written schedule of fees and disseminate the following fee information:

- Fixed fees for specific routine services.
- Hourly rates.
- Range of fees for particular services.
- Fee charged for an initial consultation.

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.

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

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§ 10.30 Fees. (CONTINGENT FEES)

Contingent Fees

When can a practitioner may charge a contingent fee?

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Advertising

The IRS is reminding practitioners that they should not include advertisements for their services when sending out W-2 forms.

"A recent inquiry sent to the Issue Management Resolution System concerned restrictions on including practitioner advertising with Forms W-2 and other information returns," the IRS said March 6 in an e-mail to payroll professionals.

"As a reminder, no additional enclosures, advertising, promotional material, or a quarterly or annual report are permitted."
"Even a sentence or two on the year-end statement describing new services offered by the payer is not permitted,"

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Advertising

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.

Are there rules for:

Radio / Television?
Direct Mail?
E Mail ?
E Commerce ?

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§ 10.31 Negotiation of taxpayer checks.

- 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.

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§ 6695

- IRC Sec. 6695(a) requires the preparer to furnish a copy of the return to the client
- IRC Sec. 6695(b) requires the preparer to sign the return
- IRC Sec. 6695(c) requires the preparer to furnish an identification number

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§ 6695

- IRC Sec. 6695(d) requires the preparer to retain a list of prepared returns
- IRC Sec. 6695(g) requires the preparer to comply with earned income credit due diligence rules

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§ 10.33 Best Practices.

- Implementing best practices is an aspiration or goal. The comments in the Regulations even state that a practitioner who fails to comply with best practices will not be subject to discipline under these regulations. Similarly, the provision relating to steps to ensure that a firm's procedures are consistent with best practices, now set forth in §10.33(b), is aspirational. Although best practices are solely aspirational, tax professionals are expected to observe these practices to preserve public confidence in the tax system.

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§ 10.33 Best Practices.

- Tax advisors should provide clients with the highest quality representation concerning Federal tax issues by adhering to best practices:
  - Communicating Clearly
  - Establishing the facts
  - Advising the Client
  - Acting fairly and with integrity

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§ 10.33 Best Practices.

- Related to best practices is the requirement for the professional to comply with e-filing procedures.
- The IRS is reminding practitioners that they should not include advertisements for their services when sending out W-2 forms.

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§ 10.33 Best Practices.

When can you E-File a tax return?

Do you need a new E-File form when data has changed?

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§ 10.33 Best Practices.

An e-filing firm may not file the return prior to receiving actual Forms W-2, W-2G or 1099-R.(This is known as the check-stub prohibition rule).

Once signed by the taxpayer the return must be submitted for e-filing within 3 calendar days as soon as the ERO has all necessary information for origination.

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§ 10.35 Competence.

- 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

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Incompetence / disreputable conduct:

Willfully failing to file on magnetic or other media a tax return prepared by the practitioner when the practitioner is required to electronically file by Federal tax law, unless dues to reasonable cause,

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.

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Incompetence / disreputable conduct:

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.

Sanctions for violation of the regulations can include censure, suspension or disbarment. Actions that may cause a sanction include

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Incompetence / disreputable conduct:

- Actions that may cause a sanction include:
  - Conviction of any criminal offense under the Federal tax laws or involving dishonesty or breach of trust,
  - Conviction of any Felony under Federal or state law rendering the practitioner unfit to practice,
  - Giving false or misleading information to the Department of the Treasury or any officer or employee thereof,
  - Failing to file a tax return or evading tax, or assisting a client in the same,
  - Misappropriations, bribes, offers of bribes, disbarment or suspension under other licenses, hiring disbarred or suspended individuals,
  - Failing to sign a tax return.

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Engagement Letter for Tax Preparation Only
courtesy of Drake Software

- April 5, 2014
-
- Mr. & Mrs. Tax Payer 4085 Pay Lane
- Los Angeles, CA 90210
- RE: Preparation of Your 2014 TaxReturns Dear Tax Payer:
- Thank you for choosing TAX SERVICE NAME to assist you with your 2014 taxes. This letter confirms the terms of our engagement with you and outlines the nature and extent of the services we will provide.
- We will prepare your 2014 federal and state income tax returns. We will depend on you to provide the information we need to prepare complete and accurate returns. We may ask you to clarify some items but will not audit or otherwise verify the data you submit. An Organizer is enclosed to help you collect the data required for your return.
- The Organizer will help you avoid overlooking important information. By using it, you will contribute to efficient preparation of your returns and help minimize the cost of our services.
- We will perform accounting services only as needed to prepare your tax returns. Our work will not include procedures to find defalcations or other irregularities. Accordingly, our engagement should not be relied upon to disclose errors, fraud, or other illegal acts, though it may be necessary for you to clarify some of the information you submit. We will, of course, inform you of any material errors, fraud, or other illegal acts we discover.
- The law imposes penalties when taxpayers underestimate their tax liability. Please call us if you have concerns about such penalties.
- Should we encounter instances of unclear tax law, or of potential conflicts in the interpretation of the law, we will outline the reasonable courses of action and the risks and consequences of each. We will ultimately adopt, on your behalf, the alternative you select.
- Our fee will be based on the time required at standard billing rates plus out-of-pocket expenses. Invoices are due and payable upon presentation. To the extent permitted by state law, an interest charge may be added to all accounts not paid within thirty (30) days.

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Engagement Letter for Tax Preparation Only
courtesy of Drake Software

- We will return your original records to you at the end of this engagement. You should securely store these records, along with all supporting documents, canceled checks, etc., as these items may later be needed to prove accuracy and completeness of a return. We will retain copies of your records and our work papers for your engagement for seven years, after which these documents will be destroyed.
- Our engagement to prepare your 2014 tax returns will conclude with the delivery of the completed returns to you (if paper filing) or your signing, and the subsequent submittal, of your tax return (if e-filing). If you have not selected to e-file your returns with our office, you will be solely responsible to file the returns with the appropriate taxing authorities. Review all tax-return documents carefully before signing them.
- To affirm that this letter correctly summarizes your understanding of the arrangements for this work, please sign the enclosed copy of this letter in the space indicated and return it to us in the envelope provided.
- We appreciate your confidence in us. Please call if you have questions. Sincerely,
- I.M. Tired, EA
- (Both spouses must sign for preparation of joint returns.) Accepted By:
- Taxpayer
- Spouse

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Engagement Letter for Representation Use

- Generic Tax Service
- 1888 Canadian Woodlands
- Shelby Township, MI 48318

- January 20, 2019
- John Q. Public
- 1237 Motor City Boulevard Detroit, MI 48310

- Dear Mr. Public:
- The purpose of this letter is to confirm that you have retained Generic Tax Service to assist in the representation of your 2012 individual income tax return. This document outlines the terms of our engagement along with the nature and extent of the services we provide.
- Ann Enrolled Agent, EA will assist you before the IRS on your appeal. Our firm establishes hourly rates based on years of experience, specialized training/practice, and level of professional attainment. The normal rate for Ms. Agent is $200/per hour. This rate would normally cover meetings (in person and by phone) with you and negotiations with the IRS staff on your behalf. *Ms. Agent has agreed to charge you a flat rate of $1,000* for all services and include upcoming meetings with IRS Chief Counsel. Any services required beyond these proceedings will need to be renegotiated. Our engagement retainer of $1,000.00 is due at the time of this signing.
- Either party shall be free to terminate this arrangement at any time. In such event, you shall be responsible for all services performed up to receipt of the termination request plus any expenses and disbursements paid on your behalf. We will work with you to effect an orderly transition of documents into your possession. Unused retainer funds will be refunded at the time your records are returned. Your failure to respond to us in a reasonable time period or act on recommendations that are relevant to your case can be cause for the termination of this agreement.
- Our services are rendered on the foregoing basis. If you have any objections or questions, please contact us at (800) 555-1212. We highly regard your business and feel all aspects of our representation are appropriate subjects for discussion. We look forward to working with you.
- Sincerely,
- Ann E. Agent, EA
- Accepted by: DATE:

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Code Sec 7216 – Disclosures

- Some real-life situations that require this signed consent.
  - Discussing financial or investment services that you provide.
  - Providing copies of tax returns to the client's mortgage company.
  - Sharing tax information with the client's stock broker.
  - Helping the taxpayer's ex-spouse or children with a FAFSA application.
  - Mailing out non-tax related materials to taxpayers (ads for your grand/children's fund-raisers).

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Code Sec 7216 – Disclosures

- CONSENT TO DISCLOSURE OF TAX RETURN INFORMATION UNDER §7216
- Federal law requires this consent form be provided to you. Unless authorized by law, we cannot disclose, without your consent, your tax return information to third parties for purposes other than the preparation and filing of your tax return. If you consent to the disclosure of your tax return information, Federal law may not protect your tax return information from further use or distribution.
- You are not required to complete this form. If we obtain your signature on this form by conditioning our services on your consent, your consent will not be valid. If you agree to the disclosure of your tax return information, your consent is valid for the amount of time that you specify. If you do not specify the duration of your consent, your consent is valid for one year.
- Duration of consent (optional):
- I, Tax Payer, authorize You the EA of Save you money Tax Service to disclose current and prior tax return and financial information to For Petes sake Home Mortgage for the purpose of satisfying mortgage requirements.
- Signature: Date:

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• Ethics -- Bonus

- DATA SECURITY PLAN
  - A sound data security plan has five key principles.
    - ❖Take Stock
      - ❖Know what personal information is stored in files and on company's computers.
      - ❖Who has access to it.
      - ❖Take and inventory of all computers, laptops, mobile devised, flash drives, disks, home computers, digital copies and other equipment to find out where files are.
      - ❖Don't forget the file cabinets

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Ethics -- Bonus

- Scale Down
  - Keep only what is needed for the business and task at hand.
    - ❖If there is not a business need for sensitive information, don't keep it. In fact DON'T EVEN COLLECT IT.
    - ❖Use SS Numbers only for required purposes. Don't use social security numbers unnecessarily…. As a customer identification number.
    - ❖Don't keep customer credit card info unless ther is a business need.
    - ❖Develop a written records retention policy to identify info that must be kept, how to secure it, how long to keep it, and how to dispose of it securely when no longer needed.

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Ethics -- Bonus

- LOCK IT!
  - Protect the information.
    - ❖If it is "hard copy" lock the door, file, or cabinet.
    - ❖Hard Copy – Paper, CD's, Floppy Disks, Zip Drives, Backup's.
    - ❖Remind employees to put files away, log off their computers and lock their file cabinets, …. And office doors at the end of the day.

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Ethics -- Bonus

- Network Security
  - ❖Identify the computers or servers where sensitive information is stored.
  - ❖Assess the vulnerability of each connection to commonly known or reasonable foreseeable attacks. Depending on the circumstances, appropriate assessments may range from running and "off the shelf security software" to having an independent professional IT company conduct a full scale security audit.
  - ❖Don't store sensitive data on any computer with an internet connection unless its essential for business.

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Ethics -- Bonus

- Network Security
  - ❖Regularly run up-to-date anti virus and anti-spyware programs on all computers and servers.
  - ❖Consider restricting employees ability to download unauthorized software.
  - ❖When receiving/transmitting credit card info or other sensitive financial data, use Secure Sockets Layer or another secure connection that protects the info in transit.

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Ethics -- Bonus

- Network Security
  - ❖Password Management
  - ❖Laptop Security
  - ❖Firewalls
  - ❖Employee Training

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Ethics -- Bonus

- Pitch It
  - ❖Properly dispose of what is no longer needed.
    - ❖What looks like a sack of trash can be a gold mine for identity theft.
    - ❖Dispose of paper records by:
      - ❖Shredding, burning, pulverizing.
    - ❖Old Computers and storage devices, use software for securely erasing data. (wipe utility programs)
    - ❖Deleting files using the keyboard or mouse commands usually isn't sufficient.
    - ❖Make sure employees working from home use the same procedures.

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Ethics -- Bonus

- Plan ahead
  - ◦ Create a plan for responding to a security incident.
    - ❖Designate a staff member to coordinate and implement the response plan. If a computer is compromised, disconnect it immediately from the network.
    - ❖Investigate security incidents immediately.
    - ❖Consider (and have a written plan) of who to notify.
      - ❖Law Enforcement, Customers, Credit bureaus, the businesses affected by the breach.

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Employee Management / Training

- Do background checks before hiring employees who will have access to NPI
- Employees sign agreement to follow company's security standards for handling NPI
- Limit NPI to employees who have a need to see it
- Require employees to have strong passwords
- Use password-activated screen savers to lock computers after a period of inactivity
- Develop policies for use and protection of laptops, cellphones, PDAs or mobile devices

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Employee Management Training (continued)

Train employees to take steps to maintain security by:

- Lock rooms and file cabinets
- Not sharing or openly posting employee passwords
- Encrypting sensitive customer information when electronically transmitted
- Refer calls or other requests for customer information to designated person
- Report suspicious attempts to obtain NPI

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Employee Management Training (continued)

- Regularly remind employees of policies and legal requirements to keep NPI secure
- Develop policies for employees who telecommute
- Impose disciplinary measures for security violations
- Prevent terminated employees from accessing NPI by deactivating passwords and user names.

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Information systems

Network and software design, information processing, storage, transmission, retrieval and disposal.

Suggestions for maintaining security from data entry to data disposal:

- Know where sensitive NPI is stored and store it securely
- Ensure secure transmission of customer information
- Dispose of customer information securely – consistent with FTC's Disposal Rule
- Take steps to prevent security breaches

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Communication

- There are many ways we communicate with clients and transmit sensitive information to other authorized individuals.
  - USPS, Fed Ex, and UPS – considered somewhat secure
  - Faxes – could be sent to wrong number – consider requesting confirmation
  - Email – more vulnerable than other methods

Encryption is a way to alter the message in such a way the unintended recipient cannot decipher it. Learn how to do it.

100

Sharing files on a secure server

- Internet services are available to allow you to upload files in an encrypted format which can be downloaded to client's computer. Using this kind of service make sure your access to the service:
  - Is accessed via an "https" connection
  - Requires an ID and password login
  - Stores the files on the server in an encrypted format
  - Deletes the files after a short period of time
  - Logs the network address of the person downloading the file

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Paper files

These can also be a security factor. Files need to be locked. Safeguards concerns are:

- Leaving documents in the open that are visible to customers or employees
- Preparer's workspace should be free from other client information
- Scan paper files and destroy originals
- Destroy old files – burn, shred and certified destruction

10
2

Electronic Data

- Protect onscreen data from others in the room.
- Prevent theft of the computer.
- Flash Drives can easily be picked up and taken or put in a pocket or purse and lost. Consider a flash drive that can be encrypted.
- Reformatting a flash drive may not remove the data. Consider destroying it completely.

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3

Laptops are also not a secure means of storing information. It can easily be stolen. If used for storage consider a full disk encryption.

Biometrics (fingerprint reader) for the computer password has been around for a few years. Can be anywhere from $30 to $150

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4

Disposing of old computers **requires no bits of client information** remain for the new owner to read.

Reformatted drives can be hacked. Wipe a drive at least 7 passes. If you take the drive out and destroy it make sure the platters inside the drive are broken.

Copiers, printers and fax machines also have the ability to retain information. Those also need to be destroyed when getting rid of them.

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Secure software, strong passwords, data encryption, virus protection, locking your hard drive, and backing up your files ensure protection.

Protect your Wi-Fi – make sure it is password protected

Sharing files on network – turn off "simple file sharing" and turn on "share with permission"

Firewalls protect intruders from invading office computers

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You are ultimately responsible!

- Use safeguards to protect client NPI

QUESTIONS?

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Acknowledgment & Thanks to:
Rose Hablitzel EA, (NAEA Presentations)
From whom I stole some of the information presented in this outline.

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