

self-funded nonprofit oversight body to register tax preparers and ensure that they meet all of the requirements of this chapter. (BPC § 22251.1.)

- 8) Provides that the CTEC shall have responsibilities and duties as specified; shall issue registrations, deny applications and discipline registrants as authorized and may adopt bylaws, rules, regulations; and procedures necessary to effectuate the purposes of the Tax Preparer law. (BPC § 22251.2)
- 9) Requires that prior to rendering any tax preparation services, a tax preparer shall provide the customer in writing with the tax preparer's name, address, telephone number, and evidence of compliance with the bonding requirement, including the bond number, if any. (BPC § 22252)
- 10) Makes it a violation of the Tax Preparer Law for a tax preparer to do or commit, and the CTEC may deny an application for registration or discipline a registrant for any of the specified violations. (BPC §§ 22253 and 22253.1.5)
- 11) Provides that CTEC may enter into an agreement with the Franchise Tax Board (FTB) to provide reimbursement to the FTB for any expenses incurred to identify an individual who is not in compliance with the Tax Preparer Law. (BPC § 22253.2)
- 12) Authorizes CTEC to discipline registrants by placing the registrant on probation, suspending the registration, revoking the registration, or other actions. (BPC § 22253.3)
- 13) Requires CTEC to issue a "certificate of completion" when a tax preparer demonstrates completion of not less than 60 hours of specified educational requirements, and requires an annual 20 hours of continuing education for active registrants. (BPC § 22255)
- 14) Exempts enrolled agents, attorneys, certified public accountants, and employees of these licensees, as well as certain financial institutions, from CTEC's registration requirements. (BPC § 22258)
- 15) Requires a tax preparer, on and after July 1, 2019, to report a paid claim against its surety bond to the council, and requires the council to post a notice of the claim on its internet website. (BPC § 22250.1)
- 16) Requires CTEC to establish and maintain on its internet website a searchable public registry of registrants. (BPC § 22251.4(a))
- 17) Requires the internet website to contain direct links to internet websites maintained by the California Board of Accountancy, the State Bar of California, and the Internal Revenue Service where public information regarding tax preparers exempt from this act may be obtained. (BPC § 22251.4(b))
- 18) Requires a provider of tax preparer education for tax preparers to meet standards and procedures as approved by the CTEC. Existing law also requires a list of those providers approved by the CTEC to be made available to tax preparers upon request. (BPC § 22254)

This bill:

- 1) Requires the CTEC to post a notice of the claim on its social media accounts, if applicable.
- 2) Requires the above-described links to also be included on applicable social media websites and accounts, to the extent feasible.
- 3) Requires a list of those approved providers to also be made available to the Legislature upon request.

FISCAL EFFECT: Unknown. This bill is keyed fiscal by Legislative Counsel.

COMMENTS:

1. **Purpose.** This bill is sponsored by the Author. According to the Author, this bill “makes changes to CTEC and laws governing tax preparers, intended to improve oversight of the profession and CTEC operations, stemming from the sunset review oversight of CTEC.”
2. **Oversight Hearings and Sunset Review of Licensing Boards and Programs.** In early 2023, the Senate Business, Professions and Economic Development Committee and the Assembly Committee on Business and Professions (Committees) began their comprehensive sunset review oversight of 8 regulatory entities including the Board. The Committees conducted two oversight hearings in March of this year. This bill and the accompanying sunset bills are intended to implement legislative changes as recommended by staff of the Committees and which are reflected in the Background Papers prepared by Committee staff for each agency and program reviewed this year.
3. **Background on CTEC.** CTEC is a non-profit corporation that administers the registration and enforcement of tax preparers. CTEC was established in 1997 when the Governor and the California State Legislature transferred the responsibility for approving tax schools and certifying the education of tax preparers from the California State Tax Preparer Program in the Department of Consumer Affairs to the California Tax Education Council (CTEC) via SB 1077 (Greene, Chapter 1137, Statutes of 1996). In what was described as a “grand experiment” to privatize the regulation of tax schools and registration of tax preparers in the State of California, CTEC was established as a new private tax industry council. No state funds were allocated to CTEC, and no staff existed to carry out the workload. Today, CTEC is responsible for the registration and enforcement of tax preparers who charge a fee, excluding certain professionals. CTEC is also charged with approving providers of tax education and maintaining and distributing to the public a list of those approved providers. CTEC and CTEC Registered Tax Preparers (CRTPs) make up the second largest segment of tax preparation professionals serving California, following certified public accountants. Anyone who, for a fee, assists with or prepares a state or federal income tax return, excluding certified public accountants, attorneys, enrolled agents, enrolled actuaries, and certain financial institutions or their employees, must be registered with CTEC. These exempt individuals are subject to their respective professional disciplinary standards for conduct and

competence.

4. **Review of the Tax Preparer Program, Issues Identified and Recommended Changes.** The following are some of the issues pertaining to CTEC that may require statutory changes, along with background information concerning the particular issue. Recommendations were made by Committee staff regarding the particular issue areas which needed to be addressed.

a) **Issue: Continued Regulation by the CTEC.**

Background: The responsibility for approving tax schools and certifying the education of tax preparers was transferred from the California State Tax Preparer Program, under the Department of Consumer Affairs, to CTEC by the Governor and the Legislature effective July 1, 1997. Since taking over this responsibility, CTEC has continued to be more efficient and effective and has provided better value, service and response to the profession of tax preparers than the prior state run program. CTEC has also been very responsive to the recommendations of the Committees and that of the prior Joint Legislative Sunset Review Committee.

Recommendation: *Committee staff recommended that the registration of tax preparers by CTEC be continued and the profession be regulated by the current Council membership in order to protect the interests of the public and consumers in seeking the assistance of tax preparers and that CTEC be reviewed by the Committees once again in four years.*

As a result, the Author will amend the bill moving forward to extend CTEC operations for four years.

5. **Comments from interested parties.** The Inland Equity Partnership, John Burton Advocates for Youth, and United Ways of California say that they support this bill if it is amended, citing a memorandum they issued on a prior CTEC sunset bill which raised a number of issues. According to the organizations, enforcing disclosures related to the fees charged for services could help hold paid tax preparers accountable and curb predatory practices and as such, believe the bill should be amended to include language introduced in a bill by Assemblymember Stone in 2019. The groups also note that people would benefit from receiving a statement... relating to the availability of free tax preparation services for individuals with incomes below specified amounts that also identifies the Franchise Tax Board's and Internal Revenue Service's internet websites where the client may find additional information." The groups further believe that CTEC should add a section for publicized complaints next to each registrant listing and should add language to the list of those who are exempt from registration to ensure that preparers who claim exemption because they "work for an exempt tax preparer" are directly supervised by a registered preparer or exempted person. According to the organizations, the bond amount a tax preparer is required to post should be increased to ensure that it can compensate consumers who are harmed by tax preparers, such as by fraudulent activities that result in consumers having to pay penalties. The groups also believe that CTEC should actively approve or decline to approve a curriculum

provider a specified period to guarantee that tax preparers are receiving adequate education to fulfill their tax preparation services. According to the organizations, a tax preparer should also be required to provide specified information during the application process for a Refund Anticipation Loan (RAL).

6. **Proposed Author's Amendments.** In order to continue CTEC operations and tax preparer regulation, the Author plans to amend the measure to extend the sunset of CTEC for four years to January 1, 2028.

SUPPORT AND OPPOSITION:

Support:

None received

Opposition:

None received

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