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SPECIAL NOTICE

Permit Requirements for Tax Preparers and Facilitators

Introduction: In 2017, the Connecticut General Assembly passed a law that created certain requirements for any person that prepares federal or state personal income tax returns. See 2017 Conn. Pub. Acts 17-147, §§ 15-18. These requirements phased in over time. The first set of requirements, which went into effect on October 1, 2017, imposed guidelines and restrictions on tax preparers and facilitators. See **SN 2017(8)**, *New Requirements for Income Tax Preparers and Facilitators of Refund Anticipation Loans or Checks*. The second set of requirements, which requires tax preparers and facilitators to obtain a permit from the Department of Revenue Services (DRS), goes into effect on October 1, 2018. DRS will begin accepting electronic permit applications the first week of October, 2018.

Permit Required: Beginning January 1, 2019, affected tax preparers and facilitators cannot engage in the business of, solicit business as, or provide tax preparation services or act as a facilitator, or make representations to be a tax preparer or facilitator for Connecticut income tax returns without a permit issued by DRS. Exempt tax preparers and facilitators are not affected by this requirement.

Persons Affected: *Tax preparers*, which includes any person that prepares or assists in preparing more than ten federal or state individual income tax returns for a fee or other consideration.

Facilitators, which includes any person that individually or with another person:

- Solicits the execution of, processes, receives, or accepts an application or agreement for a refund anticipation loan or refund anticipation check.
- Serves or collects upon a refund anticipation loan or refund anticipation check; or

- Facilitates, in any manner, the making of a refund anticipation loan or refund anticipation check.

The term *facilitator*, does not include any employee of a facilitator who provides only clerical or support services.

Exempt tax preparers and facilitators are not required to obtain a permit.

Affected persons required to obtain a permit are referred to in this Special Notice as “non-exempt” individuals.

Exempt Tax Preparers and Facilitators: The following persons are exempt from the permit requirement:

- Accountants holding (A) an active license issued by the State Board of Accountancy, or (B) a valid and active permit, license or equivalent professional credential issued by another state or jurisdiction of the United States;
- Attorneys, and persons engaged in providing tax preparation services under the supervision of an attorney;
- Enrolled agents, as that term is used in Internal Revenue Service Circular 230;
- Employees of a local, state or federal governmental agency while engaged in the performance of official duties;
- Employees of or assistants to a person exempted under this subsection, in the performance of official duties for such tax preparer or exempt person;
- Individuals employed, full-time or part-time, to act as a tax preparer solely for the business purposes of such individual's employer;
- Fiduciaries acting on behalf of an estate; and
- Tax preparers qualified by the Internal Revenue Services, including, but not limited to, tax

preparers sponsored by the Tax Counseling for the Elderly program and the Volunteer Income Tax Assistance program.

See **SN 2017(8)**.

Qualifications to Obtain a Permit: In order to apply for and obtain a permit, you, the non-exempt individual, must either be authorized to act as a tax preparer or facilitator in a state with similar requirements, or meet all of the following requirements:

1. Be eighteen years of age, or older;
 2. Have a high school diploma;
 3. Have a preparer tax identification number issued by the Internal Revenue Service; and
 4. Present evidence that you have experience, education, or training in tax preparation services.
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Electronic Application: Applications will only be accepted electronically through the State of Connecticut eLicense web portal at <https://www.elicense.ct.gov/>. If you are a first time user, you must create a User ID and Password. The initial application fee is \$100. You can pay the application fee by using only a debit or credit card.

DRS will send you an e-mail notifying you that your application has been approved or denied. If your application is approved, DRS will issue you a permit. The permit is valid for a period of two years from the date that you apply for the permit. DRS will send you an e-mail notification approximately 30 days before your permit expires. You may apply for a permit renewal at that time for a fee of \$50. The permit will renew for another two-year period.

If you stop preparing personal income tax returns or acting as a facilitator before the two-year period expires, you may apply for inactive permit status. A permit in inactive status will not require renewal, but you may reactivate it for the remainder of the two-year period, if any, by paying a \$50 reactivation fee.

The application, renewal and reactivation fees are non-refundable.

Once your application is approved and you receive a permit, your name will be included in a public registry, which will be available to the public on the eLicense web portal, showing that you have a tax preparer/facilitator permit from the State of

Connecticut, and are authorized to provide services as a tax preparer or facilitator.

If any of your information changes from the time you apply for the permit and the time the permit expires, you must log into your eLicense account and update your information.

Acts or Omissions that May Cause Denial, Suspension or Revocation of a Permit: Your permit application may be denied, or your permit suspended or revoked, if you engage in any of the following acts or omissions:

- Engage in a criminal act that results in your conviction;
 - Engage in unprofessional conduct that results in final disciplinary action by the federal government, any state or jurisdiction of the United States, or other governmental agency or a professional licensing board or similar entity, as long as the acts or conduct is substantially related to your qualification as a tax preparer or facilitator;
 - Make a material misrepresentation of fact in obtaining or attempting to obtain a permit; or
 - Violate, attempt to violate, assist in, or abet the violation of (a) any of the permit requirements, (b) the professional practice standards listed in **SN 2017(8)**, which went into effect on October 1, 2017, or (c) the tax preparer disclosure to taxpayers requirement listed below.
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Tax Preparer Disclosure to Taxpayers:

Effective October 1, 2018, you must provide to any person requesting tax preparation services a written disclosure prior to providing such services that includes:

1. Your name, principal business address and primary business telephone number;
2. An estimate of the total charge for completion of all requested tax preparation services; and
3. A warranty that you will provide for the secure storage and transmission of a

taxpayer's personal and tax record information.

See **SN 2017(8)** for additional tax preparer and facilitator practice standards.

Permit Penalties and Discipline: The following penalties will apply for violations:

- A non-exempt tax preparer or facilitator providing tax preparation services or acting as a facilitator without a permit will be subject to a civil penalty of \$100 for each day such services are performed on or after January 1, 2019.
- A tax preparer, facilitator or commercial tax return preparation business who employs an individual to provide tax preparation services or act as a facilitator who is not exempt from the permit requirements, is subject to a civil penalty of \$500 per violation beginning on January 1, 2019.
- Any person making a material misrepresentation of fact in obtaining or attempting to obtain a permit will be subject to a civil penalty of not more than \$500 for each violation.

The Commissioner may discipline you by issuing a written warning, suspending your permit for a period of no more than a year, or revoking your permit.

The Commissioner may issue a written order notifying you of the suspension or revocation for good cause. Within 30 days from the date of such notice, you will have the right to request, in writing, a hearing before the Commissioner. The Commissioner must hold a hearing no later than 30 days after receipt of the request for a hearing, and must issue a final decision no later than 60 days after receipt of such request. You may appeal the Commissioner's

decision to the Superior Court within 45 days from the date of such notice.

Effective Date: October 1, 2018.

Statutory Authority: Conn. Gen. Stat. §§ 12-790 through 12-790c, as amended by 2018 Conn. Pub. Acts 26, §28.

Effect on Other Documents: This Special Notice supplements and expands **Special Notice 2017(8), *New Requirements for Income Tax Preparers and Facilitators of Refund Anticipation Loans or Checks.***

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the Department of Revenue Services (DRS).

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Or visit the Paid Preparer Information Page at www.ct.gov/DRS/PaidPreparer.

Forms and Publications: Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms and publications.

DRS: Get connected to the latest DRS news including new legislation, policies, press releases, and more. Visit the DRS website at www.ct.gov/DRS.
