Hello, my name is Richard Ernst and I'm the Deputy Commissioner for the Office of Professional Responsibility for the New York State Department of Taxation and Finance. Now individuals with less than 3 years experience in the preparation of income tax returns who wish to engage in the profession of tax return preparation are required to take this course. Now this course is part of a much larger set of required qualifications for these tax return preparers. Now let's be candid. You can't learn everything that you need to know about being an income tax preparer in 16 hours, but this will give you a good bases of what you need to know but more importantly, it will give you information as to where you can go to get further information.

Now the qualifications for a tax return preparer are set forth in regulations that were promulgated by the New York State Department of Taxation and Finance in November 2103, and the requirement that tax return preparers take education courses are located within these regulations. These regulations resulted from a collaborative process from a group of individuals consisting of state agency heads, people that deal with public service organizations and more importantly the tax preparation industry. And in these regulations the requirements that tax return preparers take an education course and those particular parts of the regulations are quoted on this slide.

The course that you will be taking today is part of the 16 hour course that is required for tax return preparers that have less than 3 years experience. I'm going to give you a brief overview of what this course contains. Now this course is broken up into two separate and distinct parts. First, you will see video tapes of live presentations that were previously given. And these deal with how tax return preparers interact with the New York State Department of Taxation and finance. Secondly, there is going to be an online program that you will have to take and in these modules you will be taught how to begin to prepare New York State income tax returns.

Now most New York State taxpayers use the services of paid tax return preparers. Even though there isn't a requirement that an individual go to a paid preparer to have their return prepared. This is because taxpayers can use free file, they can use web file or they can decide to prepare the return themselves. But since most New York State taxpayers use the services of a paid preparer, it shows the crucial role that preparers play. Because preparers must ensure that the tax liabilities that their clients pay is accurate. Our goal is that everyone should only pay what they are required to pay. We don't want people paying more taxes than they are required, or less than they are required.

Now until recently, only a few individuals who prepare income tax returns were regulated by either New York State or by the federal government. For example lawyers, CPAs and PAs, are licensed by New York State and the IRS licenses and regulates a group of individuals called enrolled agents. But outside of these individuals, who prepare New York State tax returns, New York State did not have any regulation or oversight authority over the vast number of people who are not one of these enumerated professions who also prepare tax returns. And during this tax filing season, there were forty five thousand registered individuals who prepared New York State tax returns.

In 2009 the New York State Legislature decided that it was time that there would be regulation and oversight of tax preparers and they requested that the Commissioner of Taxation and Finance empanel a task force. And this task force was to be created an prepare a report to make recommendations on relevant matters including determining the appropriate scope of the program for regulating tax return preparers and commercial tax return preparers. In addition, this task force was asked to set appropriate qualifications including, but not limited to, minimum educational qualifications and continuing educational requirements for tax return preparers. This task force was convened and it had numerous meetings beginning in 2009. The membership of the task force

included a broad group of representatives from the tax preparation industry, government and academia.

After meeting for two years, the task force in 2011 issued a report. And in the report the task force concluded that the case for regulation of tax preparers is compelling. The task force was persuaded that the adoption of a strong, fair and efficient regulatory scheme is essential to advance tax administration, to elevate the professionalism of the tax return preparation industry, and to protect New York taxpayers. The Commissioner then received the report that the task force created and after studying it, in 2013 the Commissioner enacted regulations related to the profession of tax return preparations. No longer would this be an unregulated profession.

The basic parts of the task force report dealt with minimum qualifications of tax return preparers and also the standards of conduct that we should expect from those individuals that prepare tax returns. The minimum qualifications are:

That all tax return preparers must be at least 18 years of age and possess at a minimum a high school education or its equivalent.

In addition, if within the last 5 years they have a criminal conviction or an adverse disciplinary action, they must notify the department of this fact. The department will then make a decision as to whether or not the person should be able to register as a tax return preparer.

Third – tax return preparers must certify that they are in compliance with their own federal, state and local tax filing obligations.

Fourth – they must complete professional education, and that is the course that you are beginning to take today.

And finally, all tax return preparers must take an online examination and we will discuss the requirements of this examination in a minute.

There are also minimum standards of conduct that we will expect that all tax return preparers meet and there are sanctions that can be brought against those preparers that fail to meet these minimum standards of conduct. And in a later video you will learn about what the standards of conduct and what the sanctions are.

Now during the course you will see video tapes of various live presentations. And the first set of video tapes deal with the manner in which tax return preparers interact with the department.

The first one is that there are various identification numbers that all tax preparers must get from the IRS and New York State before they begin to prepare returns on behalf of their clients. Also, there are permissions that you must receive from your clients so that you can access their tax information.

Secondly, the New York State Department of Taxation and Finance has online service accounts. This is a way that you can file returns on behalf of your clients, you can track how these returns are progressing through the system and you can also look at the previous filing history of your clients. Online service accounts are also a vehicle by which the department sends messages out to the various preparers so you will learn about the important role that the online service account plays.

Third, after an income tax return has been filed, more often than not, there is either a liability owed or there is a refund that is paid back to the taxpayer. And you will learn the various ways that people can make payments on liabilities that they owe the department or they can get refunds that are due back from the department.

Fourth, all returns that are filled with New York State go through a computer process where the return is examined. Many returns are physically examined by department employees. After these examinations, if a change is made to the return that has been filed, the taxpayer and the tax preparer have the option of

appealing the departments' decision. So you will learn about the appeal process and all the different levels of appeal.

And finally you will learn about the tools that are available to assist tax return preparers. Because like I said, we will not be able to teach you everything that you will need to know within this particular course.

There is also going to be online learning modules that are going to go in depth into the manner in which tax preparers should prepare returns.

The first five of these learning modules cover the basics of return preparation.

So you will learn about the main IRS forms and New York State forms that you will need to prepare on behalf of your client. Because as you will learn, the New York State income tax form in many cases is based upon the federal 1040.

You will learn about the filing requirements. Who is required to file a New York State tax return, and who is not required to file a New York State tax return.

You will learn about what is income. What items should be considered as income, what items should not be as considered as income. Because this is an important decision that you as the tax return preparer will have to make on behalf of your client.

Next, you will have to determine what is the filing status that your client should be filing under? Individuals in New York State can file married filing jointly, married filing separately, head of house hold or single. This is a decision you will have to make after a consultation with your client and you are going to have to determine the tax consequences concerning the particular filing status that you are filing for your client.

Finally, many people will have family members living with them during all or part of the year. So will have to make a decision as to whether or not these family members can be considered dependents and therefore whether or not your client is entitled to a dependent exemption.

There is additional online learning modules that cover more detailed aspects of return preparation:

You will have to learn about the federal adjustments to income. So after you determine what the basic federal adjusted gross income is, you are going to have to determine whether or not there are additions or subtractions that will need to be made to this particular figure.

There are also NY additions and subtractions that are made based upon the federal figure. So you will have to determine if income needs to be added back in or whether subtractions can be made from the federal figure.

Third, there are common federal schedules that you are going to have to be aware of. You are going to have to know about schedule A, schedule B, schedule C, schedule E so that you can properly prepare returns on behalf of your clients.

There are also credits that be taken on both the Federal and New York State return. Some of these credits can be taken on both the federal and state return, some of these credits can only be taken on the federal return and some can only be taken on the state return. So you are going to have to be aware of all these credits and which apply to the federal return and which apply to the state return.

And finally, you are going to have to be aware of residency rules. There are many taxpayers that live in New York State during part of the year and live outside of New York State the remainder of the year and many even live outside of the country for the remainder of the year. So you are going to have to determine whether or not your client is required to file a New York State tax return and if so what percentage of their total income needs to be included on the New York State return?

Now there are three additional courses that are going to cover general updates and topics that occur during the filing season and throughout the year that we think it’s important that you be made aware of.

The first one is Common Mistakes. The department through its Audit Division, its Collections, its Call Center, we see mistakes that are made by many different practitioners so we think that it's important that we bring it to your attention so that you are aware of these mistakes and so that you make sure that you do not make these mistakes also.

There are also Common Questions that are brought to the department's attention. And very likely some of these questions are ones that you have also, so we feel it is important that we bring these questions to your attention.

And finally, you will also learn about New York State Updates that will be taking effect next year, so that you are up to date on the New York State Tax Law.

As I said, all commercial tax preparers in New York State will be required to take an online examination. This examination will be made available in the spring of 2015. It is going to be a multiple choice examination and you will have three years to pass it. And as we get close to the time that this examination is rolled out, you will receive further information about it.

If you need further information while you prepare your clients returns, the two best sources are our web site: www.tax.ny.gov, because here you will find publications and other information that will assist you in answering your questions as you prepare your clients returns.

In addition, there is a Tax Practitioner Hotline. This is a dedicated phone line that is only given out to tax practitioners. So if during the filing season you have any questions, you can call this number and you will quickly get accurate information to answer your question.

Thank you very much for listening to the overview and now you can start taking your education course. Thank you.