

February 21, 2023

Senator John Fonfara
Co-Chair, Finance, Revenue and Bonding Committee
Room 3700, Legislative Office Building
Hartford, CT 06106

Representative Maria Horn
Co-Chair, Finance, Revenue and Bonding Committee
Room 3700, Legislative Office Building
Hartford, CT 06106

Dear Senator Fonfara and Representative Horn,

The National Association of Enrolled Agents (NAEA) appreciates the opportunity to provide comments on Proposed S.B. No. 814 An Act Concerning Tax Preparer Liability for Underpaid Income Tax, which is the subject of a public hearing before the Connecticut General Assembly's joint standing Finance, Revenue & Bonding Committee. Notwithstanding our long-term dedication to return preparer standards, NAEA opposes S.B. 814 for several reasons, which we outline below.

NAEA is the nation's leading community for tax practitioners from aspiring enrolled agents to experts with decades of experience. Representing more than 700 enrolled agents (EAs) in Connecticut and approximately 57,000 EAs nationwide, NAEA is uniquely positioned to offer an informed and practical perspective regarding tax preparer oversight.

We recognize that there are cases of individual bad actors in Connecticut's tax preparation sector. While we would all like to see them held accountable, we don't believe the proposed legislation is the right solution. On the one hand, taxpayers already possess a variety of tools they can use to express their concerns such as filing a claim against their tax preparer (and/or his/her firm), reporting the tax preparer to the Internal Revenue Service, or reporting them to their professional licensing and/or disciplinary boards. On the other hand, we see a real risk the legislation would dissuade many good, competent return preparers from preparing Connecticut income tax returns (for instance, we wonder whether errors and omissions insurance would become prohibitively expensive).

As noted in a February 10, 2023 [column](#) in *Forbes* by Kelly Phillips Erb, "Bill Would Make Preparers Financially Responsible for Tax Return Errors," not only are there existing solutions, but the proposed legislation would also hurt tax preparers in an unfair and unproductive manner. A requirement that tax preparers pay for any return errors that may occur is an issue for several reasons:

1. The definition of an error is not definitive enough and further, not all errors are at the fault of the preparer. The accuracy of the return is driven not only by the return preparer but also by the completeness and accuracy of information a client provides.

2. Communication regarding tax notices and unpaid taxes primarily flow through the taxpayer, creating a challenge for holding a tax preparer liable for an error he might be unaware of or not receive timely notice of.
3. Holding the tax preparer responsible for any additional tax due is unrealistic, subject to abuse, and not reflective of a fair tax administration system.

NAEA has long supported additional federal regulation of tax preparers. The proposed legislation, however, would only serve as a step backwards for taxpayers and the entire tax preparation community.

NAEA welcomes the opportunity to discuss these concerns in more detail.

Sincerely,



Megan Killian, CAE
Executive Vice President

cc:

Senator Patricia Billie Miller
Room 3300, Legislative Office Building
Hartford, CT 06106

Amanda Evans, EA
President, Connecticut Society of Enrolled Agents