

**Coalition Statement of
Americans for Prosperity, Campaign for Liberty,
Competitive Enterprise Institute, FreedomWorks, Institute for Justice,
Jeffersonian Project, Less Government, National Taxpayers Union,
R Street Institute, Rio Grande Foundation,
Taxpayers Protection Alliance, and Tea Party Nation
in Opposition to H.R. 4141
and Similar Efforts to Grant IRS Authority
to License Tax Preparers**

March 8, 2016

U.S. House of Representatives
Washington, D.C. 20515

Dear Representative:

The 12 undersigned organizations together ask Congress to oppose H.R. 4141 and similar efforts to grant the IRS new powers to license tax preparers. As detailed below, granting the IRS this power will kill jobs and increase costs to consumers. Furthermore, the IRS already has the tools it needs to identify, track, and penalize unscrupulous tax preparers without unnecessarily burdening the vast majority of law-abiding preparers with a costly licensing scheme. H.R. 4141 is unnecessary and unacceptable, and together we urge Congress to reject it and similar efforts.

Licensing Kills Jobs and Will Close Tens of Thousands of Small Businesses

Granting the IRS the increased power to impose an occupational licensing scheme will destroy jobs. Industry experts and analysts estimate that licensing will cause tens of thousands of independent tax preparers—as much as 20 percent of the industry—to close shop due to compliance costs, including lost time and out-of-pocket expenses. IRS licensing will thus only serve to protect large incumbents and licensed professionals (such as CPAs) from competition by erecting costly barriers to entry that will fall hardest on independent entrepreneurs.

Licensing Drives Up the Cost of Tax Preparation for Consumers and Reduces Choices

By imposing barriers to entry, licensing will reduce competition in the tax preparation market, which is bad for consumers. Reduced competition will artificially drive up the prices consumers pay for tax preparation. In addition, prices will likely increase as tax preparers pass the increased regulatory compliance costs on to consumers. By driving many independent preparers out of business, licensing also reduces consumer choices and interferes with consumer autonomy over personal finances.

Tax Preparers Are Already Regulated; Licensing Gives Unneeded Power to the IRS

Tax-preparer conduct is already regulated by dozens of federal laws. Failure to comply with any of these laws or regulations results in serious penalties, including injunctions, fines up to \$100,000, and prison. This includes a registration requirement: all tax preparers must register with the IRS and undergo a suitability check in order to obtain a unique identifying number (a PTIN) that they must include on all returns they prepare. This PTIN requirement gives the IRS

the information it needs to identify any unusual patterns in the returns prepared by any given preparer and prosecute any “bad apples.” The IRS does not need any additional power over tax preparers in order to ensure compliance with the tax code.

Background

In 2011, the IRS imposed a similar licensing scheme, without congressional authority. In response to a lawsuit brought by the Institute for Justice, the U.S. Court of Appeals for the D.C. Circuit—upholding the U.S. District Court for the District of Columbia’s 2013 ruling—ruled in 2014 that the IRS did not have the statutory authority to impose nationwide licensing for tax preparers. In response to this court victory, large tax preparation firms that would benefit from this licensing program at the expense of independent tax preparers are lobbying Congress to grant this authority to the IRS.

The right to earn an honest living is central to the American Dream. Granting the IRS the power to license tax preparers will put that dream out of the reach of tens of thousands of Americans who prepare tax returns to help earn a living. We hope Congress agrees that H.R. 4141 and similar efforts will only harm small business owners and the consumers they wish to serve.

Thank you for considering our views and requests. We stand ready to assist you and are available to answer any questions you may have. Please feel free to contact Dan Alban, attorney, Institute for Justice, at (703) 682-9320 or dalban@ij.org.

Sincerely,

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