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**SB 675 – Individual Tax Preparers – Code of Ethics, Notification of Actions, Enforcement,
and Penalties (Stop Scam Tax Prepares Act)
FAVORABLE
House Ways and Means Committee
March 28, 2024**

Good afternoon, Chairman Atterbeary, and Members of the House Ways and Means Committee. I am Karen Morgan, a member of the Executive Council for AARP Maryland. As you may know, AARP Maryland is one of the largest membership-based organizations in the Free State, encompassing almost 850,000 members. We thank the Senate President for sponsoring this legislation on behalf of the Office of the Comptroller.

AARP is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities, and fights for the issues that matter most to families such as health care, employment and income security, retirement planning, affordable utilities, and protection from financial abuse.

SB 675 would close gaps regarding protection of consumers from shoddy tax preparers. To regulate individual tax preparers, the State has established the State Board of Individual Tax Preparers (SBITP), within the Maryland Department of Labor, which is responsible for oversight of these tax preparers and enforcing registration requirements. These requirements include competency, operating with integrity, and continuing education. Within the Office of the Comptroller is the Field Enforcement Bureau, which is responsible for enforcing state laws requiring payment of state income and other taxes.

For the average consumer, how the laws against fraudulent tax preparers are enforced can be confusing, and frankly, is less important than the assurance that the State will work out the “how” of enforcement in the most efficient and effective way possible.

One way to ensure more effective law enforcement against fraudulent tax preparers is to make sure that the entity responsible for regulating those people who want to be tax preparers is communicating effectively with the entity responsible for enforcement of tax payment laws. SB 675 would help close the circle between registration and enforcement, which is why AARP Maryland thinks this bill is a necessary and welcome addition to the arsenal of tools that Maryland has to prevent fraudulent tax preparers from operating.

The bill would require the SBITP to notify the Comptroller if it has taken disciplinary action or sought an injunction against a tax preparer within 5 business days. This would enable the Office of the Comptroller to more easily identify those tax preparers who are suspected of negligent, misleading, or fraudulent practices so that the preparer can be added more quickly to the

Comptroller's list of preparers blocked from filing individual tax returns in Maryland. Likewise, if the Office of the Comptroller blocks an income tax preparer from submitting returns, the Comptroller would be required to notify SBITP within 3 business days. This would enable SBITP to more easily identify tax preparers for whom disciplinary action from the board might be the appropriate course of action.

This bill would expand the law enforcement authority of the Comptroller's Field Enforcement Bureau to include income tax preparation. While this authority may have been implied under current law, this bill specifies, in no uncertain terms, that enforcement of laws on income tax *preparation* is within the Bureau's purview. Equally important is clarifying that, without being properly registered by SBITP, an income tax preparer may not be compensated for preparing or assisting in the preparation of income tax returns for individuals. Violation of this prohibition would subject the preparer to misdemeanor criminal charges with a significant fine of \$5,000 for each violation. SBITP would also be required to notify the Comptroller's Field Enforcement Bureau of its determination that a violation of the tax preparer registration requirement occurred within 5 business days. Again, this would enable both entities to have a better idea of where rogue preparers are operating.

Finally, this bill would require SBITP to develop and publish a code of ethics and rules of professional conduct for individual tax preparers, after allowing for public input from the tax preparer community. This new duty for SBITP is welcome as it provides more clarity on the critically serious responsibility undertaken by those who want to be compensated for tax preparation services.

AARP supports SB 675 and respectfully requests the House Ways and Means Committee to issue a favorable report. For questions, please contact Tammy Bresnahan, Director of Advocacy for AARP Maryland at tbresnahan@aarp.org or by calling 410-302-8451.