



**SB 675 - Individual Tax Preparers - Code of Ethics, Notification of Actions, Enforcement and Penalties
(Stop Scam Tax Preparers Act)
Education, Energy, and the Environment Committee
February 16, 2024
SUPPORT**

Chair Feldman, Vice-Chair Kagan and members of the committee, thank you for the opportunity to submit testimony in support of Senate Bill 675. This bill will establish requirements for the Maryland tax preparer industry that will protect consumers when they file their taxes.

The CASH Campaign of Maryland promotes economic advancement for low-to-moderate income individuals and families in Baltimore and across Maryland. CASH accomplishes its mission through operating a portfolio of direct service programs, building organizational and field capacity, and leading policy and advocacy initiatives to strengthen family economic stability. CASH and its partners across the state achieve this by providing free tax preparation services through the IRS program 'VITA', offering free financial education and coaching, and engaging in policy research and advocacy. **Almost 4,000 of CASH's tax preparation clients earn less than \$10,000 annually. More than half earn less than \$20,000.**

A tax return is one of the most crucial documents in a person's life. It is needed to apply for a mortgage, or financial aid, and for low-to moderate-income taxpayers, a tax return could mean the difference between stable or unstable housing and could lead to more reliable transportation. The General Assembly passed legislation in 2008 to register paid tax preparers. Maryland is one of only a handful of states that require tax preparers to be registered with the State, making it one of the leading states nationwide for protecting working families' financial securities. However, the law could be strengthened to strengthen the penalties for violations and protect Maryland taxpayers.

SB 675 has three key components meant to protect Maryland taxpayers:

- Mandates information sharing between the Office of the Comptroller and the Maryland Board of Individual Tax Preparers (MBITP) within the Department of Labor (DOL) when either body takes disciplinary action against an individual;
- Directs the MBITP to develop and publish a code of ethics and rules of professional conduct for individual tax preparers registering in Maryland; and
- Authorizes the Comptroller's Field Enforcement Bureau to pursue financial penalties against individuals engaging in scam and unregistered tax preparation services.

Low-income households are often victims of scam tax preparers. These preparers advertise that they will get filers a large tax return and will say that their fee is a portion of the individual's return. When the tax return is filed, the preparer will then take both the refund and fee so that the individual gets nothing. The individual then likely has to pay a fee associated with their return on top of the taxes that they owe.¹ Enforcing stronger regulations and penalties will protect Marylanders from tax preparer scams.

Thus, we encourage you to return a favorable report for SB 675.

¹ <https://www.aarp.org/money/scams-fraud/info-2020/tax-preparation.html>