

**Individual Tax Preparers - Code of Ethics, Notification of Actions, Enforcement, and Penalties
(Stop Scam Tax Preparers Act)
HB452/SB675**

Maryland's rules and regulations related to the oversight of the tax preparer industry are out of date and not aligned with the current needs of the state. As a result, we have seen an uptick in the victimization of taxpayers, particularly elderly and immigrant communities, by those they have turned to for help navigating Maryland's complex tax laws. We need to add additional tools to our toolbox to protect consumers, prevent the further proliferation of scammers and bad actors, and foster collaboration between agencies to ensure scam preparers are not able to slip through the cracks.

What this bill does: This bill has three key components meant to protect Maryland taxpayers:

1. 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 action.
2. Directs the MBITP to develop and publish a code of ethics and rules of professional conduct for individual tax preparers registering in Maryland.
3. Authorizes the Comptroller's Field Enforcement Bureau to pursue financial penalties against individuals engaging in scam and unregistered tax preparation services.

Why this bill is important: We continue to see many Marylanders fall victim to scam tax preparers which often creates a tax and financial issue for the victims of these scams. While scams may take many different forms, one common example is for unregistered preparers to produce legitimate looking returns that include incorrect information aimed at producing larger than expected refunds. When the refunds then arrive, the scam preparer takes the return – and the refund – leaving the client on the hook for any penalties for providing false information.

This bill will help to improve coordination between the Office of the Comptroller and the Maryland Board of Individual Tax Preparers, which will allow for faster interventions when either entity discovers suspect behavior. In addition, this will provide the Comptroller of Maryland's Field Enforcement Bureau with enforcement powers to issue financial penalties aimed at significantly curbing this behavior. Any financial penalties recovered for these violations will be directed to the fund that supports Low Income Tax Clinics.

Additionally, this bill directs the Maryland Board of Individual Tax Preparers to create a code of ethics for all tax preparers when they register with the state. This code of ethics, similar to codes for other professions, will strengthen protections for tax preparers I urge a favorable report on HB451.

I look forward to working with the General Assembly on this important legislation.



Brooke E. Lierman
Comptroller of Maryland

Suggested Amendment Language follows:



(C) THE BOARD SHALL NOTIFY THE FIELD ENFORCEMENT BUREAU OF THE COMPTROLLER'S OFFICE OF AN ALLEGED VIOLATION OF THIS SECTION WITHIN 5 BUSINESS DAYS AFTER RECEIPT OF THE ALLEGATION.