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Internal Revenue Service

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California Franchise Tax Board

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**Volume 18, Issue 1**

**RECAP - PROVIDER TASK FORCE MEETING.....**

CTEC’s mandate is to promote competent tax preparation within the State of California. This mandate includes the annual registration of all CTEC Registered Tax Preparers (CRTPs).

It is CTEC’s responsibility to approve educational providers and thus monitor the quality of education provided CRTPs. CTEC has established standards, policies and procedures to promote quality education and to ensure that education providers are delivering the appropriate credit hours needed by preparers.

The role of an education provider is to provide education that meets the standards and policies established by CTEC. CTEC reviewers are not allowed to “provide assistance to individual providers in the areas of: (1) preparing course material, (2) determining the course subject matter, or (3) giving any provider a competitive advantage over other providers” (CP05).

The following CTEC policies were revised and approved by the CTEC Board at the May 2016 Board meeting. **All providers are required to familiarize themselves with CTEC’s current policies.** All CTEC policies can be found on the CTEC website at <https://www.ctec.org/Provider/ProviderPolicies/>

**CP04 – Provider Complaint Procedure**

The Provider Complaint Form has been developed to collect information needed by CTEC administrative staff to determine if the complaint is valid and should be referred to the CPSC chair. The CPSC chair will make the decision as to whether or not the provider should be audited. **The [complaint form](#) is available on the CTEC website.**

**Policy CP20 - Use of Tax Return as a Part of Testing**

The following guidelines must be used to determine QE credit:

- (1) Self-study QE courses may allow up to 20% credit (12 hours) for preparing Federal and California tax forms and schedules.
- (2) The tax return and associated schedules must be completed in their entirety.
- (3) No part of any form, worksheet, or schedule will be filled out prior to testing.
- (4) No tax return may consist solely of a 1040EZ or a 540EZ.
- (5) Course problems and exercises may not be duplicated in the final examination.

**CP23A — Qualifying Education Guidelines** - Reviewers evaluate each QE course to ensure that it adequately covers QE guidelines. Providers must indicate page(s) on which “required” and “awareness” topics are covered in the course materials; the time devoted to each topic; and, identify final exam questions that test the “required” and “awareness” topics as required by CP13(l).

**R - Required** – Providers must include “required” subject matter in the course so as to prepare the student for dealing with these issues, including related situations that will be commonly encountered by CRTPs. **A - Awareness** – Providers must include “awareness” subject matter in the course in such a manner (overview) that a student will recognize the issue and know to seek further guidance in dealing with it.

**Qualifying Education Guidelines continues...**

**O - Optional** – These are optional issues that CTEC would like included in the course material but are not mandatory.

The following changes and corrections were made:

- ⇒ Section I, General Filing Issues, D, Special Tax provisions and penalty taxes - **add line 4 to read:**
  - **“4. One IRA Rollover per year” – make it “Awareness”**
- ⇒ Section I, General Filing Issues, J, Penalties, 2, Failure to pay...- **add section code: “Sec. 6651(a)(2)”**
- ⇒ Section I, General Filing Issues, J, Penalties, 3, Negligence or intentional disregard – **change section code from “Sec. 6651(a)(1)” to “Sec. 6662(b)(1)”**
- ⇒ Section I, General Filing Issues, J, Penalties – **add line 5 and 6 to read:**
  - **“5. Accuracy Related” – make it “Awareness”**
  - **“6. Negotiation of Client’s Refund Check” – make it “Awareness”**
- ⇒ Section I, General Filing Issues, L, Preparer Filing Responsibility, 1, Preparer Identification Number (PTIN) – **add the word “Tax” to read “1. Preparer Tax Identification Number (PTIN)”**
- ⇒ Section IV, Tax Payment Issues – **remove “b. Exemption W-4E” from 1. W-4s**
- ⇒ Section V, Income under J, Miscellaneous income sources and issues under #2, Bartering - **change from “Awareness” subject to an “Optional”**
- ⇒ Section VI, Exclusions – other than work related, A, Sales of residence exclusion – **add the word “personal” to read “A. Sale of personal residence exclusion..”**
- ⇒ Section XII, Credits – **add K and L to read:**
  - **“K. Residential Energy Credit” – make it “Optional”**
  - **“L. Retirement Savings Contribution Credit” – make it “Optional”**
- ⇒ Section XIII, State of California Concerns under H, California adjustments Conformity issues – **add “Paid Family Leave” to number 1. Unemployment benefits to read: “1. Unemployment benefits / Paid Family Leave”**
- ⇒ Section XIII, State of California Concerns under H, California adjustments Conformity issues – **change “2. California lottery winnings” from a “Required” subject to an “Awareness” subject CP23A — Qualifying Education Guidelines**
- ⇒ Section XIII, State of California Concerns under H, California adjustments Conformity issues – **add line 9, 10 and 11 to read:**
  - **“9. Discharged Personal Residence Mortgage Forgiveness” – make “Awareness”**
  - **“10. Miscellaneous income / Reward from a Crime Hotline” – make “Awareness”**
  - **“11. Out of state & CA returns have significant difference between States” – make “Awareness”**
- ⇒ Section XIII, State of California Concerns under M, Credits – **add line 11 to read “11. EIC” – make it “Required”**
- ⇒ Section XIII, State of California Concerns under M, Credits, 1, Joint Custody Head of Household - **change from “Required” to “Awareness”**

### Qualifying Education Guidelines continues...

- ⇒ Section XIV, Special Topics under F - ACA and CAP & Repair – **separate the two subjects:**
  - **“F” ACA , All Applicable Forms - make “Required”**
  - **Move CAP & Repair to Section “X” under Depreciation - make “Awareness”**
- ⇒ Section XIV, Special Topics – **remove “D. SDI & VPDI issues – what it is, over withholding etc.”**

**CP24 – Limitations on the use of Federal & State Publications, Etc.** – CTEC CE education standards limit the use of IRS/FTB, and other government publications or reference materials, such as tax guides, to be used as supplemental reference material. In November 2015, the CTEC Board adopted the following changes to policy CP24:

1. The Title should include “Etc”: **Limitations on the use of Federal & State Publications, Etc.**
2. Under **Section 24a. – Background, Remove “general professional literature” and Add “or reference materials such as tax guides”**. The sentence should read: “Effective in 2012, CTEC CE standards limit the use of IRS/FTB and other government publications or reference materials, such as tax guides, to supplemental reference material only”.
3. Under **Section c. – Prohibited Materials, Remove “the reading of general professional literature”** and add “etc.” after “such as tax guides”. The sentence should read: “Self-study courses requiring IRS/FTB or other government publications, or reference manuals such as tax guides, etc. (hereafter referred to as “reference material”), even if followed by a test, are not acceptable.”

### Additional Hours for QE Course

The topic of additional hours for qualifying education courses was discussed at the CTEC Board meeting. Initial registration with CTEC requires an individual to complete 60-hours (45 hours federal and 15 hours state) of qualifying tax education from a CTEC Approved Provider.

CTEC sent an email to all providers that offer Qualifying Education requesting information regarding the length of time it takes the average student to complete the 60-hour qualifying education course. Thank you to all providers who responded or their suggestions and comments.

Initial registration with CTEC requires a “minimum” of 60-hours be completed; therefore, it is left up to the providers to increase their course hours as they feel necessary to adequately cover the required subjects.

**The CTEC Board felt that no action or changes should be made to the 60-hour requirement for Qualifying Education courses.**

### Status Report for CTEC Approved Education Providers

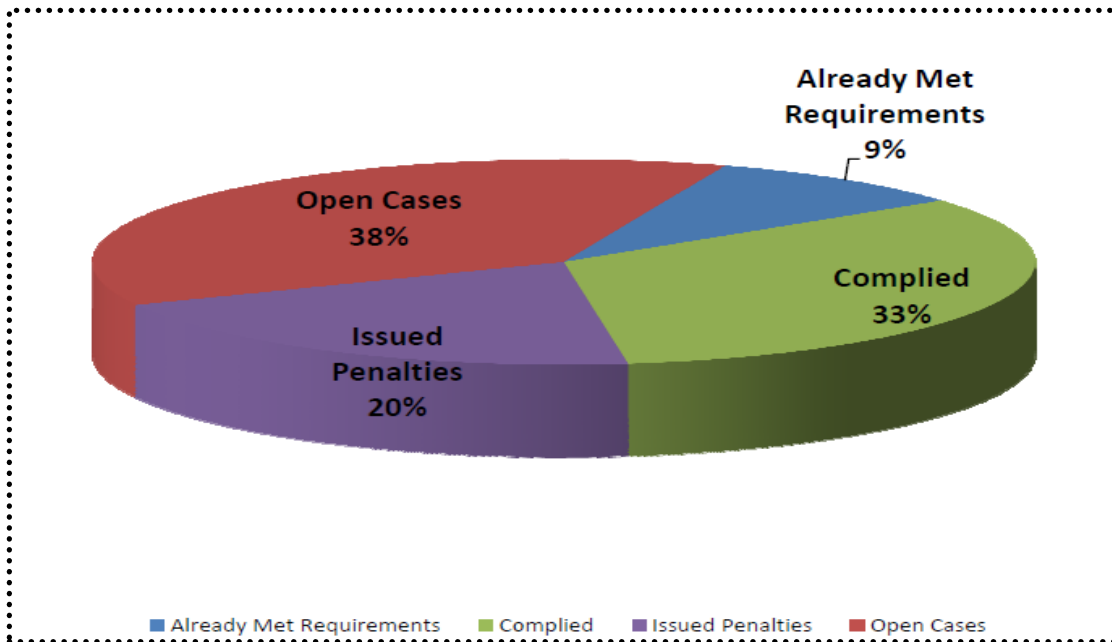
Currently CTEC has 92 Approved Providers

- ⇒ 44 providers offering Qualifying Education courses
- ⇒ 76 providers offering Continuing Education courses
- ⇒ 4 providers offering CA Qualifying Education courses.

**24 Periodic Reviews are being conducted in 2016**



## 2016 Franchise Tax Board Enforcement Results



As of April 22, 2016, the Franchise Tax Board (FTB) enforcement team identified 3,107 tax preparers as potentially unregistered. Of those, 1,906 cases are currently under review.

Unregistered tax preparers who are caught preparing, or assisting with preparing, tax returns for a fee will be issued a \$2,500 penalty letter from FTB. They have 90 days to register with CTEC before the penalty is enforced.

If a tax preparer does not comply, the \$2,500 penalty is assessed. If a tax preparer still fails to comply the next year, a \$5,000 penalty will be issued.

To report an unregistered tax preparer, visit [www.ctec.org](http://www.ctec.org)



### Update from the IRS Return Preparer Office

Susan Gaston, Director of Continuing Education/IRS, attended the meeting and gave a PowerPoint presentation regarding the Return Preparer Office (RPO) responsibilities and history. The presentation included the following: 2016 PTIN season; Tax Return Preparer Statistics; IRS Voluntary Preparer Programs; Participating in the 2017 AFSP; Statistic from CE PTIN submissions; Limited Practice Rights; Directory of Federal Tax Return Preparers with Credentials and Select Qualifications. Click on this link [IRS RPO Presentation](#) to see the full PowerPoint presentation.

### **CTEC MISSION STATEMENT**

“The California Tax Education Council (CTEC) will continue to establish professional tax education standards, approve tax education providers, who comply with these standards, and facilitate tax preparer compliance for the benefit of California taxpayers”.

#### **CTEC PRODUCTS**

- Logo Slicks
- CRTP Mailing List
- 20” x 26” Color CTEC Poster
- CTEC Brochures—”Choosing Your Professional Tax Preparer” (English & Spanish)
- CTEC 2014-2015 Annual Reports (available either online or by mail)

Call CTEC toll free 1-877-850-CTEC (2832) to request a free copy of the Annual Report.

#### **CONTACT INFORMATION**

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## **MARK YOUR CALENDAR**

**CTEC Board and Committee meetings are open to the public.**

### **2016**

**November 17 - 18, 2016 Annual Board and Committee Meetings will be held in Santa Barbara, CA**

Please call the CTEC office at 877-850-2832 or e-mail Tabitha Bolkish at [tbolkish@ctec.org](mailto:tbolkish@ctec.org) if you would like to attend.

### **2017**

**May 17, 18, 19, 2017 meetings will be held in Sacramento, CA**

May 17, 2017 – Curriculum Provider Task Force meeting beginning at 1:00p.m.  
May 18 & 19, 2017 – CTEC Committee and Board meetings.

**November 16 & 17, 2017 Annual Board and Committee Meetings will be held in Oakland, CA**