

Consumer Bill of Rights Regarding Tax Preparers

(General Business Law Article 24-C)

Taxpayers who use the services of paid tax preparers are entitled to protection from unfair treatment. While most tax preparers act within the law and treat their clients fairly, there are some that don't.

This *Consumer Bill of Rights Regarding Tax Preparers* describes your rights and contains important information about how to protect yourself from unfair practices.

Some services offered by tax preparers:

- **Preparation of federal and state income tax returns.**
- **Electronic filing ("e-file")** – the process of filing your tax returns over the Internet.
- **Tax planning** – giving advice on personal or business decisions throughout the year that will affect how much tax you will owe at the end of the year.
- **Tax accounting** – the accounting needed to comply with federal, state, and local tax law and regulations.
- **Refund anticipation loan (RAL)** – A RAL is not a "quick refund," "fast refund," or "instant refund." It is a high-interest loan offered by a tax preparer to a taxpayer against the taxpayer's anticipated income tax refund. (See *Refund anticipation loans (RALs)* below.)

Before you hire a tax preparer, you have the right to ask:

- **Who will prepare your tax return? What are that individual's qualifications?**
 - Not all paid tax preparers are required to be licensed or are subject to educational requirements under New York State law.
 - You should ask the preparer about his or her education, training, and experience with the particular tax services that you require.
- **How are fees calculated?**
 - You have the right to ask your preparer for a written estimate of the total cost of each service offered.
- **Will the preparer electronically file (e-file) your tax returns?**
 - E-file with **direct deposit** is the fastest way to receive your refund.
- **Will the preparer help you if you're audited or if the Internal Revenue Service (IRS) or the New York State Tax Department bills you for additional tax?**

Refund anticipation loans (RALs)

If you file an income tax return and claim a refund, your preparer may offer you a refund anticipation loan (RAL). With a RAL, a lender will immediately lend you the amount of your refund, after deducting amounts for interest and fees. The lender will receive and keep the full amount of the refund when it is issued.

A few things to keep in mind about RALs:

- A RAL is not a tax refund but is, in fact, a **high-interest loan**.
- If you want your refund as soon as possible, without paying the interest and fees required by a RAL, consider having the preparer **e-file** your return and having the refund **deposited directly** into your bank account or mailed to you.

- Before you enter into any RAL agreement, the tax preparer must give you a **written disclosure statement** containing the following information:
 - that you **aren't required** to take a RAL in order to receive your tax refund
 - the **amount of fees and the total dollar amount of interest** that you will have to pay if you take a RAL. (You should be aware that if the amount of your refund is reduced, you will still have to pay the fees and interest.)
 - the **amount you will receive** after the fees and interest are deducted
 - the estimated annual percentage **rate of interest** that you will be charged
 - the approximate date that you will **receive the loan**
 - the amount that your refund will be if you **don't** take out a RAL
 - the approximate date that you will **receive your refund** by mail or by using direct deposit if you don't take a RAL
- If you don't understand English, the tax preparer must explain the RAL in a language you understand.

When your return is completed, you have the right to:

- **Review the return** to be sure all information is complete and correct before you sign. Never sign a **blank return**, and never sign in pencil.
- Have the **tax preparer sign** and complete the paid preparer section of the return according to the instructions for the return. (There are different methods allowed by law for signing paper and e-filed returns.)
- Receive **all of your personal papers** back.
- Receive a **copy of the final return** for your records.
- Have any refund you might be receiving deposited directly into **your** checking or savings account. With **direct deposit**, you'll receive your refund faster than if a check is sent by mail. (With a RAL your refund is not direct deposited into your account, instead the lender will receive your refund.)
- Obtain a **receipt** from the preparer that describes the services provided and the amounts charged for each service. The receipt must provide an address and phone number where the tax preparer may be contacted at any time during the year.

A tax preparer shouldn't do any of the following:

- Ask you to sign a **blank or unfinished** tax return or ask you to sign in pencil. You're legally responsible for your tax returns even if they're prepared by someone else.
- Ask you to sign a return with **false information** on it. Most reputable preparers will ask to see **your records** and will ask you many questions to determine the correct expenses, deductions, tax credits, and other items to report on your tax return.
- Change your tax return **after you have signed it** without your written consent.
- **Misrepresent** his or her qualifications.
- **Share any of your tax information** with any person or business, unless you've given your permission in writing.
- **Guarantee** that you'll receive a tax refund or guarantee that you won't be audited by the IRS or the New York State Tax Department.
- Claim to give you an "instant tax refund" that is really a RAL. If you choose to take a RAL, the preparer must give you a complete disclosure statement in writing as described above.

If your tax preparer doesn't comply with this *Consumer Bill of Rights Regarding Tax Preparers* and you would like to file a complaint, visit the New York State Tax Department Web site (www.nystax.gov). If you do not have internet access and you would like to file a complaint, call the New York State Tax Department at **(518) 457-2721. For in-state callers without free long distance, call 1 800 417-2678. (Please do not call these phone numbers for information on taxes or refund information.) If your paid preparer is located in New York City, dial 311 (212-NEW-YORK if you are outside New York City) to contact the New York City Department of Consumer Affairs.**