

# **What is the IRS AFPS** **Credential and** **Why Should You Care?**

*A Free Report for Tax Professionals*

Brought to you by your Friends at [Pronto Tax School](http://ProntoTaxSchool.com)

*"Empowering the Independents"*



**Questions?**  
**Email [teacher@pronto4tax.com](mailto:teacher@pronto4tax.com)**  
**Thank You!**

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## Mass Confusion for Tax Preparers

Not sure about you, but we remember being very, *very* confused many, *many* times over the past few years of participating in this [wild & crazy](#) business we call taxes. And now the IRS wants to pile *yet another acronym on us*, with this AFSP thingamajig that nobody seems to know exactly what it is or why I should care?

Well, some good news for you, for all of us:

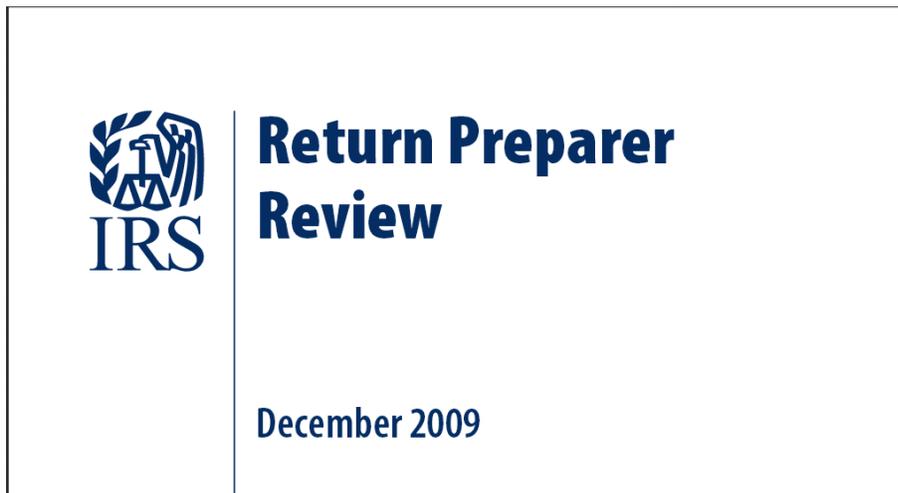
In this free ebook, we are going to clarify exactly what this Annual Filing Season Program (AFSP) credential is, and why you *might* want to care about it and/or get it.

Here's a hint: it's more important than you might think...

## Why Does the AFSP Exist in the First Place?

First, some history, as to *why* the IRS feels that we need this credential.

IRS efforts at greater tax preparer regulation first came about as a result of a 2009 report called [the Return Preparer Review](#) which revealed that many tax preparers were, uhm...how do we put this...well, to be blunt, this report made us (tax preparers) look like a bunch of imbeciles.



The money quote from this report:

"Only two of the 19 tax return preparers had the correct tax liability and refund amounts on the return they prepared and all 19 tax return preparers made a mistake on the prepared returns."

And you thought Kobe Bryant's shooting percentage was problematic.



Shocked and appalled by the contents of this study, the IRS commenced a fateful journey to regulate tax preparers, including the institution of a ["Competency Exam" for tax preparers](#), a new credential for tax preparers ("[Registered Tax Return Preparer](#)"), and a [15-hours-per-year continuing education requirement for tax preparers](#).

Yes well that was a nice try and all but on Friday, January 18, 2013, the United States District Court for the District of Columbia issued [an order which prevented the Internal Revenue Service from enforcing the new regulatory requirements for Registered Tax Return Preparers](#).

As a result of this court decision, all of the new tax preparer regulations, including the "Competency Test" and the continuing education requirements, were suddenly canceled.

As of May 2014, the [IRS had dropped any further appeals](#), and now the new tax preparer regulations no longer existed in any form.

**IRS Drops Further Appeals of Court Decision Invalidating Tax Preparer Regulation**

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BAINBRIDGE ISLAND, WASH. (MAY 13, 2014)  
 BY MICHAEL COHN, EDITOR-IN-CHIEF, ACCOUNTINGTODAY.COM

The Internal Revenue Service has declined to file a petition with the Supreme Court to appeal a series of rulings invalidating its effort to require mandatory testing and continuing education of tax preparers.

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Ding dong, the IRS Competency Test and IRS continuing education requirements were DEAD. End of story...*for about three months.*

In June of 2014, the [IRS Return Preparer Office](#)—the division of the IRS charged with relating to and regulating tax professionals—[announced a new program called the "Annual Filing Season Program," or AFSP](#) because you know it's gotta have an acronym.

The Annual Filing Season Program (AFSP) became the new name for the IRS efforts to regulate tax professionals with regard to continuing education and licensing/registration.

The AFSP, then, is the tax preparer regulation program that the IRS currently operates.

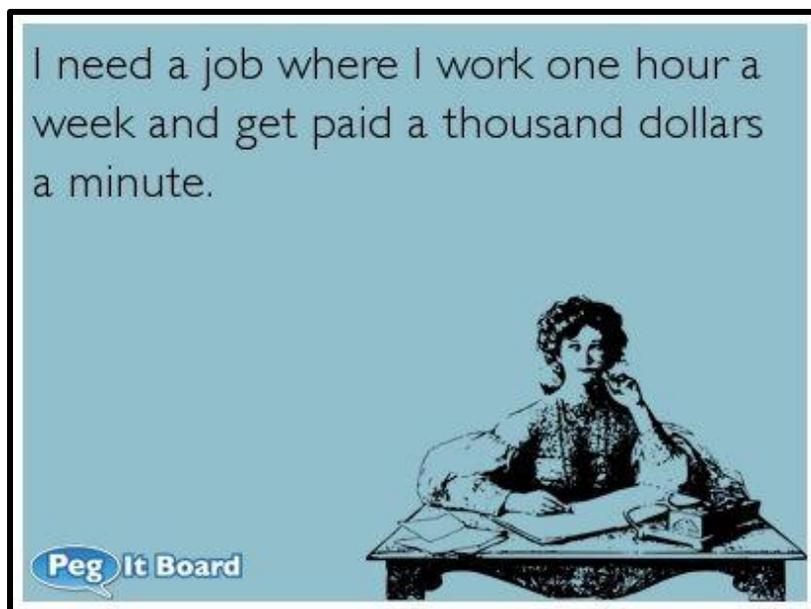
The "short answer" as to the requirements of the program are that you have to complete a continuing education tax course and register with IRS in order to qualify.

## What Are the Benefits of Obtaining the AFSP Credential?

Before we get into the particulars of how to get your AFSP credential, let's cut to the case and address one special question that means so much to so many?

Ah yes, before we proceed further, we must touch upon the most crucial of all questions:

*"What's in it for me?"*



If the AFSP program is voluntary, why should I volunteer?

The benefits—beyond the intrinsic value of tax education itself, of course—are two-fold:

- 1) You will be listed in a [publicly-available list of tax professionals that shows which educational credentials each tax professional possesses](#). The idea here is that any member of the public who is considering using your services could "look you up" in [this database](#) and if your name appears and has some mysterious letters next to it, you will appear more legitimate to clients and potential clients. Conversely, if your name *doesn't* appear and *doesn't* have some mysterious letters next to it...can they trust you with their taxes? That's the idea here, anyway, that the database provides the public with information about who's serious about their tax education and who's not. We personally have never encountered any member of the public who's ever heard of this database, let alone used it, but hey, maybe that's because it's all so new.
- 2) Secondly, and more crucially, as of January 1, 2016, the IRS has updated its policies as to who can and who cannot "represent clients" before the IRS. In years past, an "unenrolled tax preparer" (i.e. a tax preparer who is not an EA, CPA, attorney, etc.) had "limited representation rights" with the IRS; you could

represent clients with the IRS, but only with regard to tax returns you had both prepared and signed. For calendar year 2016 and beyond, by contrast, an unenrolled preparer (a category that includes any tax preparer who's not an EA, CPA, or Enrolled Actuary) can no longer represent clients before the IRS *at all*, even with respect to a tax return that the preparer both prepared and signed. This can restrict your ability to contact the IRS on behalf of your clients. Interestingly, you need to not only have an AFSP credential for the current year, but also for the year of the tax return you're representing. So for instance let's say your client gets audited, during calendar year 2017, for a 2015 tax return; you would need to be AFSP-compliant for both 2015 *and* 2017 in order to represent your client in the audit.

So as you can see the IRS is trying its best to get you motivated about completing continuing education—is it working?

According to [these statistics compiled by IRS](#), approximately 62,506 tax professionals joined the AFSP program for calendar year 2016, which is approximately 15% of the total 417,000ish "unenrolled tax preparers" nationwide. This is up from 43,000 AFSP participants in 2015, an increase of almost 50%. It will be interesting to see if that number continues to climb.

## **Short Story about What Can Happen If You Don't Have the AFSP**

As tax preparers, we need another IRS rule like we need a hole in the head, am I right or am I right?

For precisely this reason, the vast majority of tax preparers are completely ignoring the AFSP credential, and just plain don't really care.

Let me tell you a brief story, though, that may change your perspective—I know it changed mine.

We got a call this summer on our Pronto Tax School Education Hotline 310-422-1283 from a rather irate tax professional.

The caller, a tax preparer in the Los Angeles area, told me about how she had called the IRS to check the status of a delayed refund for her client. And the IRS wouldn't give her any information, because she didn't have the AFSP letters next to her name. I asked her if the "Third Party Designee" box on page two of Form 1040 had been checked, giving the client's permission for the tax preparer to receive information about the tax return:

|                             |  |  |  |   |                                     |
|-----------------------------|--|--|--|---|-------------------------------------|
| You owe                     |  | 75 Estimated tax penalty (see instructions)..... |  | 75  |                                     |
| <b>Third Party Designee</b> | Do you want to allow another person to discuss this return with the IRS (see instructions)?.....   |  |  | <input checked="" type="checkbox"/> <b>Yes. Complete below.</b> | <input type="checkbox"/> <b>No.</b> |
|                             | Designee's name ▶  | Phone no. ▶                                      | Personal identification number (PIN) ▶ |   |                                     |
|                             | <b>Sign Here</b><br>Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. |  |  |   |                                     |
| Joint return?               | Your signature   | Date   | Your occupation                        | Daytime phone number  |                                     |

The caller said yes that box had been checked—but the IRS still wouldn't let her check the status of that delayed tax refund, because she didn't have the letters "AFSP" after her name.

The client had signed off telling the IRS "I want to allow another person, my tax preparer, to discuss this return with the IRS," and the IRS was all like, "Thanks, but no thanks, your tax preparer didn't do the voluntary continuing education so no soup for you."



I knew that with no AFSP credential CTEC tax preparers would be prevented from "representing" clients before the IRS, but I didn't know that IRS would consider just getting information about a delayed refund a "representation" job. I didn't know it would be like *that*. I guess it is like that though.

The IRS agent explained that even if the tax preparer had a signed Form 8821 from the taxpayer, she could not get *any* information about her client.

This tax preparer was extremely upset and of course she wanted to know if [our continuing education tax course](#) would also help her get the AFSP credential so that she was never humiliated like that ever again. I told her yes, in her case our course did satisfy AFSP requirements, and so it turned out it was an easy sale for us. Which was cool.

This phone call really made me think, though, and after thinking for a while I came to understand that so many tax preparers ignoring this AFSP credential thingamajig may actually pose a significant problem for our clients...later on down the line.

Because let's think about it:

What is the easiest way for the IRS to collect additional taxes, these days?

The computerized letter audit, right?

Send a letter, request information, the taxpayer doesn't even understand what's on the letter, and then the taxpayer either goes to her tax preparer and asks her to "make it go away," or the taxpayer doesn't have a tax preparer who helps with tax problem resolution, the taxpayer just coughs up the money, or doesn't pay and eventually goes into collections.

I hope this does not sound cynical, but let's face facts, anytime your tax client is separated from *you*, your client is in danger of paying more tax than she should, or doing something else that makes little to no sense.



Your lack of four letters after your name, AFSP, separates you from your client in a quite meaningful and impactful way, if you really stop to think about it.

Without those letters, you are no longer able to correspond with the IRS regarding your client's tax needs, for any reason at all—*not even to check the status of a delayed refund!*

As we all know, our clients rely on us these days not to just fill out forms, but to *stand behind them and with them if they ever need additional help.*

Not having the AFSP, it appears, will cripple your ability to do that.

If you don't like having your abilities crippled, the AFSP may be more important than you think...

## What You Need to Do to Earn the AFSP Credential

OK so now that we know *why*, let's talk about *how*.

Explained in its simplest terms, the AFSP is a *voluntary*, slimmed-down version of the IRS continuing education program that was ruled unconstitutional in its *mandatory* form.

Here is a link to [the IRS page describing the Annual Filing Season Program requirements](#)—now *remember*, adhering to these "requirements" is completely *voluntary*.

Repeat:

Everything about these new IRS tax preparer regulations is *VOLUNTARY*.

If you do what IRS says you need to do, you'll get the AFSP credential, but it's totally up to you if you want to get this credential or not.

If you do choose to be a part of the new AFSP program (and we'll touch in a moment on the reasons why you want the AFSP credential), here are *the exact steps of what you need do*:

- 1) Connect with an [IRS-Approved Continuing Education Provider](#) (such as Pronto Tax School, Inc., IRS Provider # MPMDK) and complete the education required to obtain the voluntary AFSP credential.

That required education is as follows:

- First, a 6 hour "Annual Federal Tax Refresher" (AFTR) course. This AFTR course, which is a *part* of the AFSP guidelines, is a federal tax update course that gives you the new tax changes for 2016, along with a series of "refresher" lessons on topics that the IRS has deemed important for tax preparers to keep in mind. This AFTR course must contain a 100 question comprehension test at the end of it, and the test must be a timed test; you are given three hours to complete the test, it is completely open book, and you can take it as many times as you need to pass.
- Secondly, you need 10 hours of continuing education on other federal tax issues. These hours can be any federal tax topics of your choosing, as long as the hours are provided by an IRS-approved education provider.
- And then last but not least you need two hours of continuing education on the subject of *Ethics for Tax Professionals*. Again, the ethics hours must come from an IRS-approved education provider.

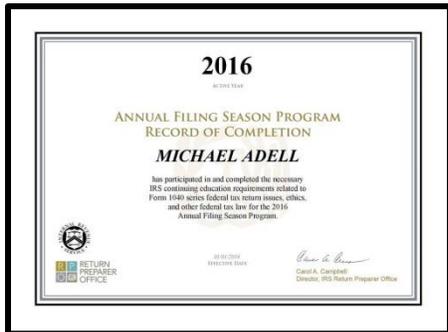
The total number of continuing education hours that *most* tax preparers need to complete, then, to participate in the AFSP program, is 18 hours, comprised of:

- 6 hour Annual Federal Tax Refresher (AFTR) including a timed comprehension test, plus
- 10 hours other Federal Tax Topics, plus
- Two hours Ethics.

2) Second step, once you've completed the education portion of the AFSP, you need to [renew your Preparer Tax Identification Number \(PTIN\)](#) for 2017. Note that the IRS opens the PTIN renewal system in October, so if you're trying to renew earlier than October and can't, that's why it's not working.

3) While you're renewing your PTIN, or after you've renewed your PTIN for 2017, you will need to log into [your online PTIN account](#) and "check a box" to indicate that you agree to abide by and adhere to Subpart B and Section 10.51 of [Treasury Department Circular 230](#). Circular 230 can be described as the "rule

book" for tax professionals when dealing with the IRS. It's important to note that you will indicate your agreement to abide by these specific parts of Circular 230 inside [your online PTIN account](#). Once you've completed your education, and checked that box inside your PTIN account, IRS should send you an AFSP Record of Completion looking something like this:



Picture Credit: <http://www.madelico.com/afsp>

To summarize and recap, obtaining the AFSP credential is a three-step process:

- 1) Complete the education.
- 2) Renew your PTIN.
- 3) Tell the IRS that you'll abide by certain sections of Circular 230 by checking a box *inside your online PTIN account* and receive an AFSP Record of Completion.

Of course we will all flip out about how confusing and onerous this new program is, because we're tax professionals and we already have *more than enough rules to follow*, but realistically now: ***IT'S REALLY NOT THAT HARD.***



In case you have more questions and/or want to get this info directly from IRS, here is a [link to the "Frequently Asked Questions" page at IRS.gov for the AFSP guidelines.](#)

IMPORTANT:

The deadline for you to complete the AFSP process is December 31, 2016 and the IRS will not give you the AFSP credential for calendar year 2017 unless you have completed your education by December 31, 2016.

**THE IRS HAS MADE IT VERY CLEAR THAT THERE WILL BE NO EXCEPTIONS ON THIS DEADLINE, SO MAKE SURE YOU COMPLETE YOUR AFSP COURSE BY DECEMBER 31 IF YOU WANT TO GET THE AFSP CREDENTIAL FOR THE UPCOMING YEAR.**

## **Exemptions Available for the AFTR Test Portion of the AFSP Guidelines**

Guess what? When it comes to AFSP, you've got the rules, and then you've got the exceptions to the rules. Indeed, the IRS has some "exemptions" available, allowing certain groups of tax preparers to avoid *parts* of the new AFSP rules.

Here is a [link to the page showing the groups that IRS considers "exempt" with regard to this AFSP program.](#)

e-File Providers & Partners  
 Enrolled Actuaries  
 Enrolled Agents

**Reduced Requirements for Exempt Individuals**

The Annual Filing Season Program is intended to recognize and encourage unenrolled tax return preparers who voluntarily increase their knowledge and improve their filing season competency through continuing education (CE).

**Annual Filing Season Program**  
 What You Need to Know >

**Who is exempt and able to obtain the AFSP – Record of Completion without taking the Annual Federal Tax Refresher course?**

- Anyone who passed the Registered Tax Return Preparer test administered by the IRS between November 2011 and January 2013.
- Established state-based return preparer program participants currently with testing requirements: Return preparers who are active registrants of the Oregon Board of Tax Practitioners, California Tax Education Council, and/or Maryland State Board of Individual Tax Preparers.
- SEE Part I Test-Passers: Tax practitioners who have passed the Special Enrollment Exam Part I within the past two years.
- VITA volunteers: Quality reviewers, instructors, and return preparers with active PTINs.
- Other accredited tax-focused credential-holders: The Accreditation Council for Accountancy and Taxation's Accredited Business Accountant/Advisor (ABA) and Accredited Tax Preparer (ATP) programs.

For instance, registrants of "state-based return preparer programs," such as the ones conducted by the California Tax Education Council and the Oregon Board of Tax Practitioners, are exempt from taking the Annual Federal Tax Refresher (AFTR) *test* portion of the continuing education requirements. Yes that's right, if your state already has a continuing education requirement for tax preparers, you can skip the AFTR test—aww yeah baby!!!



Picture Credit: <http://spiritlibrary.com/expect-wonderful/exhilaration-i-am-movement>

You can also skip the AFTR portion of the AFSP guidelines if you previously obtained the "Registered Tax Return Preparer" (RTRP) designation or if you have passed Part I of the Special Enrollment Examination (SEE), otherwise known as the test you need to pass to become an Enrolled Agent (EA).

If you belong to one of these exempt groups, you still *do* have to take 15 hours of continuing education from an IRS-Approved Continuing Education Provider (such as Pronto Tax School), and you still *do* have to renew your PTIN, and you still *do* have to consent to follow the aforementioned parts of Circular 230 by "signing off" inside your online PTIN account.

If you do not do those things, you will not be considered a participant in the AFSP, but if you do those things, you will be accepted into the program...without needing to take the AFTR test and you can do 15 hours of continuing education instead of 18.

46 out of 50 states currently have *no* tax preparer continuing education requirements, so *most* tax preparers will have to do "all of the above" to obtain their AFSP credential, but some tax preparers will be able to skip the test portion and do a few less hours.

If you have further questions about your particular situation, please consult [this IRS chart of continuing education requirements](#) which does a pretty good job of breaking it all down.

## **This Story Isn't Over**

So anyways, that's where we stand now:

Continued ability to represent our clients is the primary benefit of obtaining the AFSP credential, and yes you have to do a few things to get the credential, but really now it's not that hard.

We have come to the end of our free ebook and those are the takeaways for you as a tax professional.

Be advised, however, that this issue of tax preparer regulation is far from dead and we anticipate more changes ahead. As of this writing, lawmakers in Congress are debating between [two separate bills that call for additional mandatory tax preparer regulations](#). One of the bills currently before Congress is called the "Tax Preparer Competency Act." I'm not sure why they are so stuck on that word "competency." If we had feelings anymore, they would be hurt.

Perhaps we should add a "Congressional Competency Act," while we're at it.



We will work to "keep you posted" as tax preparer education and licensing/registration regulations continue to evolve; but for now, AFSP is what the IRS is doing for us.

## IRS Customer Service Resources for Tax Professionals

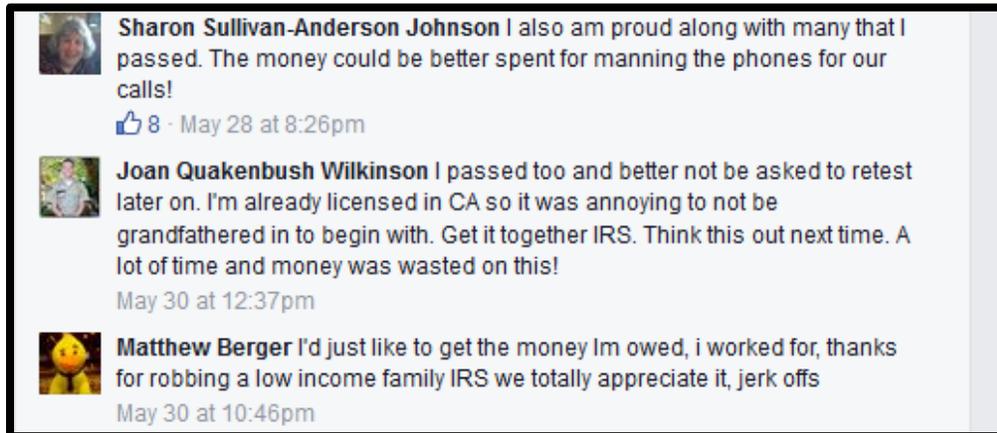
Last but not least, we want to give you some links to other resources, in case you have more questions. The IRS has done a *lot* of work to provide us with answers to the most common questions. Here is our quick cheat sheet of important links:

Here is a [link to the main IRS AFSP page](#).

Here is a [link to the AFSP FAQs page](#).

Here is a [link to the list of IRS-approved education providers](#).

The division of the IRS that is in charge of these regulations is called the Return Preparer Office (RPO). The RPO hosts [a surprisingly active Facebook page](#) so that is one way to contact them. You can get some good comedy on the RPO Facebook page, too, because some tax professionals are not afraid to tell the IRS what they *really think*:



Good to see that free speech is alive and well, right? ☺

You can also call the RPO at 877-613-PTIN (7846). Be advised that if you call the RPO division of the IRS around December 31 when everyone is rushing to beat the AFSP deadline, be prepared to hear some serious muzak because you're likely be on hold for approximately *eternity*. But I bet you already knew that...



Picture Credit: <http://www.amazon.com/Pop-Muzak-Waiting-Room-Songs/dp/B007AEP1WQ>

Anyways Fellow Tax Professionals, we know you have a lot of other stuff to do in preparation for tax season, but hopefully this has been helpful to clarify what is AFSP

and why should you care; our advice is to get the credential, but as noted, it's totally voluntary so you can do it if you want or if you don't want to do it then don't do it.

OK y'all, that's what we have for you today, as your *TEAMMATES* in this business we are wishing you all the best as you continue your tax career.

Come [visit us at ProntoTaxSchool.com](http://ProntoTaxSchool.com) if you want training specially designed to help you be the best tax preparer you can be, for the benefit of your clients and, indeed, for the benefit of all humanity.

*Sincerely,*

*Your Friends at Pronto Tax School*