

**REDUCING INCOME TAX PREPARATION ERRORS: AN EXPLORATORY STUDY OF
TAX PREPARER'S PERCEPTIONS OF TRAINING AND ITS IMPACT ON INCOME TAX
PREPARATION**

by

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Abstract

Research indicates that tax preparers' training and education impact their compliance with tax laws and adherence to standards of practice in tax preparation. Greater compliance with tax laws and adherence to standards of practice can overall reduce tax preparation errors. This qualitative study explored the perceptions of 17 tax preparers who had violated tax laws in New York City. The 17 tax preparers who violated tax laws have diverse qualifications and credentialing. The 17 tax preparers provided insights on how their training and education can improve their skills and competence and overall reduce tax preparation errors. Three contemporary theories of ethics – “(virtue, discourse, and care ethics),” formed the underlying theoretical framework for this study. The purposively selected sample of 17 tax preparers who had violated tax laws was drawn from the New York City Department of Consumer Affairs List of Tax Preparers Violations for 2008-2011 using a maximum variation strategy. Data was collected through in-depth interviews and coded and organized according to the Research Questions. Data analysis and interpretation was guided by key elements of the theoretical framework, training, standards, and competence. The study revealed that tax preparers' greatest concern is with helping taxpayers comply with the tax laws while getting maximum refunds. To reduce errors, tax preparers rely on several strategies including checks and balances and the error feature in the software to minimize errors. Most tax preparers see affiliation to tax agencies as helping them to comply with federal, state, and local regulations. Overall, the 17 tax preparers who had violated tax laws highlighted the benefits of training to enhancing their skills and competence and reducing tax preparation errors.

Dedication

To God Almighty who guided my footsteps throughout the doctoral journey. Words cannot express what a source of inspiration you have been to me. I will forever be grateful to you.

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CHAPTER 1. INTRODUCTION

Introduction to the Problem

A person may be a tax preparer without regard to educational qualifications and professional status. Tax preparers are critical components and stakeholders in tax administration and represent an important intermediary between taxpayers and the Internal Revenue Service (IRS). Hence the tax preparer community provides a unique opportunity to affect taxpayer behavior and compliance with the tax laws (“National Society of Tax Professionals,” 2009). According to the Government Accountability Office (2006) tax preparers play a vital quality control role in helping taxpayers meet their commitment to filing tax returns. They have a duty to adhere to professional standards and follow the law in the preparation of tax returns. Tax preparers are expected to adhere to the tax codes in their respective states, local bodies, and agencies associated with consumer protection and pricing. Well-educated and competent tax preparers can prevent inadvertent errors, possibly saving the taxpayer from unwanted problems later and the IRS from consuming valuable compliance resources (Internal Revenue Service, 2009).

Beaver (2008) pointed out that tax preparation errors fall into two categories: those that are human (misinterpreting tax laws) and those that are willful and reckless (deliberate). Both categories of tax preparation errors result in misstatements and omissions with tax returns reflecting overstatement of refunds and understatement of tax liabilities. The American Institute of Certified Public Accountants (AICPA) explained that regardless of the categories of errors, it is the positions tax preparers take on tax returns

that result in tax preparation errors (“American Institute of Certified Public Accountants,” 2009).

Background of the Study

Several experts point out possible reasons for the IRS criminal proceedings against taxpayers. First, Silverman (2005) explained that noncompliance was growing at astounding rates due to the number of high-income taxpayers with high net assets who find that tax savings tactics are their most important investment strategy. In the January 19, 2002 edition of the *New York Times*, a survey highlighted that 76% of taxpayers regarded any cheating at all as unacceptable, 19% said it was all right to cheat “a little here and there,” and 5 % said people could cheat “ as much as possible” (p.2). This survey was done in the wake of spiraling increases in the number of non-filers, estimated to be approximately 10 million in 2000 (Silverman, 2005).

Second, Chee-Keong, Chue-Qun, and Kok-Eng (2008) pointed out that some taxpayers intentionally understate income or overstate deductions. Further, tax preparers lead taxpayers into greater noncompliance by exploiting loopholes in the law to suit taxpayer’s needs of tax avoidance. Similarly, Bolt-Lee and Moody (2009) suggested that taxpayers are aware of the IRS audit rates that are less than one percent and play “audit lottery,” (p.16) often insisting on aggressive or inappropriate tax positions when using professional tax services. A review of tax preparation practices nationwide found that some tax preparers failed to perform sufficient due diligence or took positions they knew were not supportable (Internal Revenue Service, 2009).

Third, Hill (2009) highlighted that vast majority of tax preparers are not regulated, registered, or required to demonstrate any level of training or competency. Many unregulated tax preparers commit infractions that result in penalties for taxpayers. Some taxpayers affected by the infractions committed by tax preparers have to pay the penalties and interest accrued for long periods after the infractions were committed. The issue of regulation and training of tax preparers is not new. In many states, commercial tax preparation can be done by anyone. The education, training, and licensing of paid tax preparers is not a major factor. Paid preparers are Certified Public Accountants (CPAs), Attorneys, Enrolled Agents (EAs), and Unenrolled Agents. Unenrolled Agents represent a diverse group of tax preparers who are either self-employed or work for tax preparation commercial chains. While most tax preparers are reputable and have extensive training and experience, others are not. Bauman and Mantzke (2004) are of the view that tax preparers who lack training and experience prey on taxpayers.

Finally, the Internal Revenue Service (IRS) tax year 2001 National Research Program data indicated that tax preparers make substantial number of errors on tax returns. Audits conducted by the IRS show the error rate to be 56% which is higher than errors made by individuals who prepare their own tax return which stood at 47 %. The Treasury Inspector General for Tax Administration (TIGTA) Report of 2008 highlights that Unenrolled Agents make significant errors on tax returns. In fact, the study shows that tax preparers often made substantial errors when completing tax returns and correctly prepared only 39% of the returns. According to the Internal Revenue Service (2009), the errors

were willful and reckless omissions and misstatements due to misinterpretation of the tax laws.

Statement of the Problem

As far back as 1998, the Government Accountability Office (GAO) reported that Brooklyn, New York, was ranked fifth and sixth nationwide for IRS Criminal Investigation Referral and IRS Criminal Investigation Initiation of individual income tax filers respectively. The rates were 4.91 and 6.64 respectively per 100,000, which was above the national average of 3.39 and 4.90 (Government Accountability Office, 1999). Similarly, the New York City, Department of Consumer Affairs conducted annual audits on tax preparers in New York City for the periods 2008 through 2011 and found that 25% of all tax preparers audited were out of compliance and had violated tax laws and regulations. It is not clear what actually triggers errors in income tax preparation since there is not a list of practices against which an evaluation could be done. While there are several references to tax preparation error rates, there are no mentions in the literature on how tax preparation errors are reduced.

Purpose of the Study

The purpose of this study is to gain insights into the perceptions of 17 tax preparers who had violated tax laws. The 17 tax preparers who violated tax laws have diverse qualifications and credentialing. The 17 tax preparers provided insights on how their training and education can improve their skills and competence and overall reduce tax preparation errors. The 17 tax preparers include CPAs, Attorneys, EAs, and Unenrolled

Agents. The 17 tax preparers have all violated tax laws according to the New York City Department of Consumers Affairs Tax Preparers Violations List for the period 2008 through 2011. Participants provided information on their role in the administration of and compliance with the Internal Revenue Code (IRC). Second, they discussed their qualifications and credentialing and its impact on income tax preparation. Finally, they highlighted how adherence to professional standards and tax laws impact tax preparation. By illuminating these issues, strategies to reduce income tax preparation errors emerged.

Rationale

To gain insights into the perceptions of the 17 tax preparers with diverse levels of qualifications and credentialing who had violated tax laws, the researcher conducted a qualitative, exploratory study using in-depth interviews. The study highlighted the impact of training and education on the reduction of income tax preparation errors. Currently, there is very little research on how income tax preparation errors can be reduced. Additionally, no known or published study has been done to determine why New York City has such high rates of audits based on the GAO and the New York City Department of Consumer Affairs findings. Hence, this study provided insights into the training and education tax preparers receive and its impact on their relationship with tax agencies, their role in the administration of and compliance with IRC, and those practices that can reduce income tax preparation errors. Further, the research design is likely to ensure the findings

are believable, could be applied in other contexts or settings, and are replicable (Trochim, 2006).

Research Questions

The Research Questions are included in this exploratory study to assist the researcher in gaining insights into tax preparers' perceptions of their training and how it can overall reduce income tax preparation errors. The answers to these Research Questions assisted the researcher in providing the income tax community with useful information regarding tax preparers training and education and its impact on compliance with Federal, state, and local tax agencies, their familiarity with regulations pertaining to income tax preparation, and audits, and how their qualifications and credentialing affect their quality control role as administrators of the Internal Revenue Code.

Research Question

How do tax preparers reflecting a diverse professional background perceive the effectiveness of their level of training and education in income tax preparation in reducing income tax preparation errors-human or deliberate?

Subquestions

- How do tax preparers' qualifications and credentialing impact their role in the administration of and compliance with the Internal Revenue Code?
- How do tax preparers perceive the impact of their qualifications and credentialing on the practices that can reduce tax preparation errors?

- How do tax preparers' professional relationships with tax agencies impact their pursuit of qualifications and credentialing in income tax preparation?

Significance of the Study

The GAO in a report to the Finance Committee of the U.S. Senate in 2006 recommended that the Internal Revenue Service conduct studies to determine whether tax preparers were filing accurate tax returns and providing quality tax preparation services to taxpayers. The studies were necessary because the report highlighted high levels of inaccurate tax returns prepared by tax preparers. The inaccurate tax returns resulted in some taxpayers receiving excess refunds of up to \$2,000, while in other cases the cost to the taxpayer was over \$1,500. This exploratory study is significant because strategies were identified to reduce tax preparation errors and improve the quality of tax preparation services. Further, perspectives gleaned from this study will allow others stakeholders in income tax preparation to adopt similar approaches to reduce income tax preparation errors.

Definition of Terms

Credentialing. Credentialing is certification and licensure with relevant additional training (Cleaveland, Epps & Bradley, 2010).

Perceptions. Perceptions are descriptions and explanations of participants' experiences as they relate to the issue under study (Bloomberg & Volpe, 2008).

Qualifications. Qualifications are minimum standards of expertise (Spinney, 2010).

Training and Education. Training and education are instructor-led content-based intervention leading to desired changes in behavior. They are the primary means of reducing the likelihood of error, and a means of altering and improving performance (Reynolds, 2004; Wilson & Kirwan, 1992).

Assumptions and Limitations

One of the major assumptions of this study is that the participants in the interviews would be cooperative and straightforward in their responses. Another assumption is that participants remained anonymous. Provision was made in the research design to protect the identities of the participants by assigning pseudonyms. Finally, it is assumed that tax preparers in the study with higher levels of qualifications and credentials are likely to make fewer tax preparation errors. The limitation in the study is that the results may not be used to make inferences about tax preparation in other geographic locations in the United States. The delimitation is this study represents the perceptions of tax preparers in New York City. Because of the sample size, the findings may not be used to make inferences about income tax preparation in other locations in the United States.

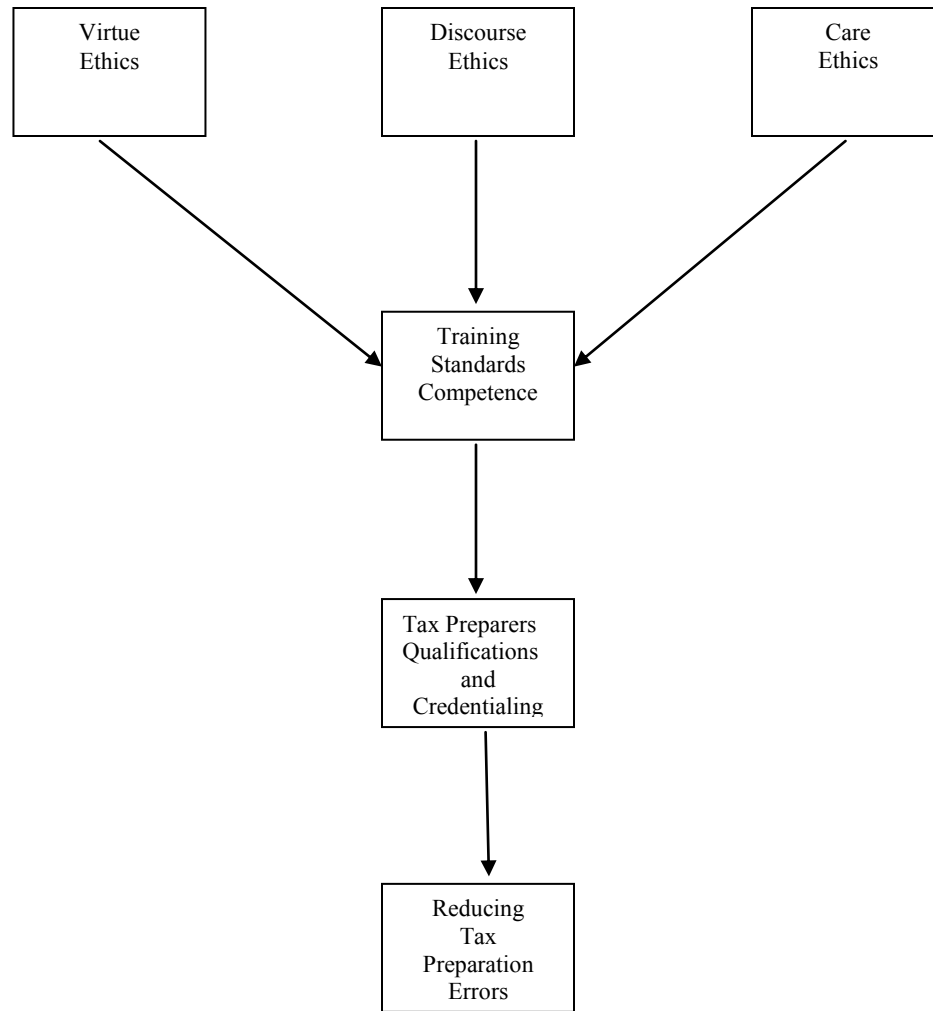
Theoretical Framework

The proposed theoretical framework serving as a foundation for this inquiry is drawn from three contemporary theories of ethics: virtue, discourse, and care ethics.

Virtue theory calls for employees in the workplace to act as agents who are expected to exercise certain character traits or virtues in work settings (Adams, 2009). These virtues lead employees to respond with maturity, judgment, discretion, wisdom, and prudence when conducting business. Discourse ethics focus on language, communication, and interpersonal relations in coordinating the construction of understanding and agreement in shared activities (Habermas, 1978). Care ethics emphasize caring for the concrete well being of those near us. Caring for others, especially those with whom we have professional responsibilities, seems to require that we give preference to those for whom we care (Velasquez, 2006; van Hoof, 2011).

Three major elements are highlighted in the theoretical framework: training, standards, and competence. Training, standards, and competence have an impact on tax preparers, their qualifications and credentials, and the reduction of tax preparation errors. The theoretical framework for this study is illustrated at Figure 1. The contemporary theories of ethics: virtue, discourse, and care ethics address the issues of qualifications, credentials, and continuing professional education of tax preparer, the exercise of skill and care in preparing income tax returns, and relationships with agencies and individuals that are essential to answering the Research Questions.

Figure 1- Theoretical framework



Organization of the Remainder of the Study

The remainder of this study has four additional Chapters. Chapter 2 presents a review of the literature on current research related to this study. The review evaluates literature on areas of tax preparers' qualifications and credentialing, standards of practice, ethical behavior, legal compliance, and tax preparation errors. These issues are highlighted because they impact tax preparation practice. The researcher consulted the writings of others to gain an understanding of tax preparers training and education and how it impacts the reduction of income tax preparation errors.

Chapter 3 outlines the methodology and procedures of the study. It explains the rationale for a qualitative, exploratory study using in-depth interviews and the research design. It concludes with a discussion on validity and reliability of the information collected and analyzed, and the ethical issues considered. Chapter 4 contains the findings of the study, and Chapter 5 contains a summary of the completed study, discussion of the findings and implications of the study, and recommendations for further research.

CHAPTER 2. LITERATURE REVIEW

This exploratory study was designed to gain insights into tax preparers' perceptions of their training and education in income tax preparation, and how overall it can increase their competence and skills and reduce human and deliberate errors. Tax preparers encompass a large and diverse group with widely varied levels of training, and competence. Each group of tax preparers must operate within a set framework of laws, and are at different levels of risk for error or malpractice. In order to establish a baseline for tax preparers' perceptions, an overview of ethical standards and behavior including the ethical theories forming the basis of the study, legal compliance in tax preparation, and tax preparers' qualifications and credentialing is necessitated.

According to Elgin (2008) Circular 230 is a U.S. Treasury Department regulation generally governing practice before the IRS by attorneys, CPAs, and EAs. Bolt-Lee and Moody (2009) explained that Circular 230 was designed to promote ethical practice among tax preparers, re-establish public confidence in the work of tax preparers, and advocate best practice in providing tax advice. Circular 230 is highlighted in the section on standards of practice because it forms the basis for tax preparation.

This review distilled and analyzed current literature in order to identify areas in which further research would be beneficial (Rowley & Stack, 2004). Several pertinent issues in tax preparation were identified, and each section of the review concludes with a discussion of the implications for the study. The sources reviewed provided good starting

points for exploring how the qualifications and credentialing of tax preparers could improve tax preparer skill and competence such that the overall number of human and deliberate errors might be reduced.

Ethical Standards and Behavior

Venezia, Venezia, Cavico and Mujtaba (2011) pointed out that ethical theories are moral philosophical undertakings that contain bodies of formal, systematic, and ethical principles that determines how one should think and act morally. The contemporary theories forming the basis of this study are virtue, discourse and care ethics. Virtue ethics focuses on the tax preparer's character and how it can overall improve business practices. Discourse and care ethics focus on interpersonal communication and relationships, and moral actions that impact tax preparation practices.

Jones (2010) explained that theories highlighting the moral principles of beneficence, malfeasance, and distributive justice promote actions to benefit rather than harm taxpayers. Virtue, discourse, and care ethics are discussed because they form the theoretical basis of the study. Further, these ethical theories are western-based, and will most likely influence tax preparers ethical behavior in the western hemisphere. However when these theories are applied globally, issues may arise because the standards that measure norms in western cultures are not the same in other cultures.

Virtue Ethics

Adams (2009) explained that virtue ethics promote the exercise of moral virtues in the business environment and that tax preparers as agents of the IRS are expected to

exercise character traits or virtues that enhances the tax preparation process. Ethical behaviors exhibited by tax preparers grow from sound character which leads to quality service in giving advice, and the taking of positions on tax returns with maturity, carefulness, knowledge, and caution. Adams (2009) pointed out that virtue ethics emphasize the credibility of tax preparers as reflected in their practice and the expectation that tax preparers will live up to the expectations of taxpayers and the IRC. Whetham (2008) explained that there is no objective standard by which to judge virtuous acts and credibility gives the tax preparer the perception of being competent, which may not be the case despite what taxpayers assume. Credibility stemming from education and training, which lead to ethical behavior, may be a more compelling argument for upholding standards in the tax preparation process, and providing quality service.

Discourse Ethics

The theory of discourse ethics focus on the actions of individuals in relation to others. Discourse ethics has implications for the tax preparer because it provides a context for advising taxpayers and taking positions on tax returns. The core of discourse ethics is language and communication essential to tax preparers-taxpayers interaction to arrive at decisions in the tax preparation process (Liddell, Cooper, Healy, & Stewart, 2010). Mingers and Walsham (2010) explained that to validate moral claims in communication, the interactions between tax preparers and taxpayers must be justified, truthful, and sincere. Tax preparers should facilitate dialogue with taxpayers to gather information pertinent to the tax preparation process. Zakhem (2008) explained that discourse ethics support the exclusion of coercive actions by tax preparers when seeking information from

taxpayers. The dialogue between tax preparers and taxpayers must be mutual and information received must be truthful. Zakhem (2008) suggested that advice given by tax preparers to taxpayers must be clinical in nature with the intent of reaching consensus, self-clarification, and a deeper understanding of the tax preparation laws, practices and procedures. By inviting taxpayers to talk about their tax situation and laying down their expectations upfront, tax preparers set the tone for dialogue that is truthful, sincere, and justified. Taxpayers are likely to value the expertise and credibility of tax preparers because of open and frank dialogue.

Care Ethics

Care ethics theory focuses on relationships and the caring for the well-being of those with whom we have a professional relationship (Van Hoof, 2011). Tax preparers and taxpayers have professional relationships that require the taxpayer to provide reliable information and the tax preparer is expected to provide advice and take positions that will reduce the taxpayer tax liabilities within the scope of the IRC. The professional issue involved with care ethics is competence. Wisuit, Kalayanee, and Weerachai (2011) explained that competence includes knowledge and skills that apply to standards of performance. To acquire competence, tax preparers must pursue qualifications and credentialing that keep them informed with changes in tax laws, and the practices that improve quality of service to taxpayers. Paulsen (2011) pointed out that incompetence could harm taxpayers resulting in infractions with severe financial penalties. Hence tax preparers have a duty of care to taxpayers and to ensure that relevant and reliable information is gathered during the interview phase of the tax preparation process. As the

information is processed and analyzed, the perceptions of the tax preparers are modified before advice is given and positions taken on the tax return.

Standards of Practice

The tax preparation profession is a function of its tax preparers and performances in tax preparation. If tax preparers fail to maintain standards in their practices, the profession falls into disrepute. To protect the income tax profession, the IRS has established guidelines through Circular 230 to guarantee that tax preparers are held to standards commensurate with the demands of the income tax community. When Circular 230 was first introduced in 1940, tax preparers were required to prepare accurate tax returns containing complete and relevant facts. Today, Circular 230 requires tax preparers to use careful consideration when recommending tax positions to tax preparers. Tell (2006) pointed out that Circular 230 lays out clear lines of communication between the tax preparer and taxpayer regarding the nature of the engagement, evaluating facts before determining an appropriate conclusion, disclosing potential penalties related to positions, and maintaining integrity within practice.

Circular 230 has evolved and currently makes new provisions for all tax preparers. It outlines duties and restrictions relating to practice, sanctions for violating the regulations, and rules for disciplinary proceedings. Under the new provision, Unenrolled Agents are allowed to engage in limited practice before the IRS in cases where the return under examination was prepared by the Unenrolled Agent. Limited practice excludes representation before IRS Appeals and Revenue Officers. Brager (2010) explained that although Unrolled Agents can prepare all or substantive portions of tax returns, sign tax

returns, and answer questions related to that return, they could not represent taxpayers beyond these functions. Because tax preparers have varying scope to practice before the IRS, the Office of Professional Responsibility (OPR) is tasked with administering and enforcing tax preparers' standards of practice including adherence to ethical and legal standards before the IRS as outlined in Circular 230.

Brager (2010) outlined the structure and function of the OPR. The OPR has four units, Case Development and Licensure, Office of Practitioner Enrollment, Enforcement and Oversight Branch 1, and Enforcement and Oversight Branch 11. The primary functions of the former two are management of enrollment and licensure for Enrolled Agents, while the latter two focus on tax preparer misconduct, disciplinary sanctions, settlements, and managing enrolled actuaries. Tax preparers are censured, discipline or disbarred from practicing before the IRS for several reasons. These reasons range from convictions for felony offenses, providing false and misleading information and representation, tax evasion, encouraging taxpayers to violate the IRS Code, misappropriation of funds intended for the Treasury Department, bribing IRS Officers, and knowingly aiding and abetting disbarred tax preparers to practice. Once the OPR recommends censorship, discipline, or disbarment, tax preparers cannot correspond with the IRS, provide advice to and represent taxpayers before the IRS, file Form 2848, Power of Attorney and Declaration of Representative, and assist anyone that constitutes practice before the IRS.

Brager (2010) pointed out that representing taxpayers before IRS Appeals and Revenue Officers, signing returns, and fully or partially preparing tax returns are not the

only functions of tax preparers. As highlighted earlier, giving written advice to taxpayers is an important component of tax practice. By filing the Form 2848, Power of Attorney and Declaration of Representative with the IRS, taxpayers give tax preparers the authority to provide written advice. Elgin (2008) explained the basis for seeking authorization is entrenched in the notion that undisclosed positions taken by tax preparers must have a realistic possibility of success while disclosed positions are not frivolous. In other words, tax preparers must believe the tax treatment recommended is proper and have a reasonable basis. Tax preparers are constrained to make clear to taxpayers that documents supporting positions must be in good faith and not misleading. Brager (2010) pointed out times when tax preparers rely in good faith and without verification of information furnished by taxpayers. Good faith suggests that tax preparers will make reasonable inquiries into information provided by taxpayers. Documents submitted to the IRS that contain or omit information can result in penalties for both taxpayer and tax preparer. Bolt-Lee and Moody (2009) explained that penalties can be criminal and civil, including imprisonment especially in cases of negligence, intentional disregard of rules, and willful disobedience or fraud.

Another major issue with respect to giving advice to taxpayers is conflict of interest. Previously, former IRS employees were barred for 2 years from providing assistance and advice to taxpayers with whom they had a previous connection on the same matter while the tax preparer was an employee of the Federal Government. Although, this stipulation has been removed, tax preparers in conflict of interest situations must acquire a waiver and informed consent from the taxpayer within 30 days after the conflict is

acknowledged by the tax preparer. Hoops (2007) explained the implications of Circular 230 on tax practice and pointed out that conflict of interest between tax preparer and taxpayer are created when the reporting standards for tax preparers are raised above that of the taxpayer. Tax preparers are no longer advocates, but advisors because of restriction on the types of communication allowed between tax preparer and taxpayer. Tax preparers must ensure that all information disclosed by tax payers in good faith is reasonably verifiable. It is the full disclosure of information and verification process that creates further conflict of interest issues. Tax preparers must choose between their personal concerns for avoiding penalties in the form of fines and sanctions by ensuring full taxpayer disclosures even when taxpayers are averse to doing so.

The IRS has recently implemented new Preparer Tax Identification Number (PTIN) requirements to ensure that tax preparers who substantially prepare a return should be registered with the agency. Bonner (2011) pointed out that failure to register with the IRS, pay a user fee, and have a PTIN can result in tax preparer penalties under IRC 6695 (c). Previously, tax preparers in place of their Social Security Number (SSN) used the optional PTIN. Currently the PTIN is mandatory for all tax preparers irrespective of their qualifications and credentials. All tax preparers must pay the user fee, renew registration every three years. In addition, Unenrolled Agents require compliance checks prior to renewing registration for the PTIN. Gavioli (2010) explained that the new plan to regulate Unenrolled Agents ensures all tax preparers are registered, are successful at a competency test, and meet continuing education requirements.

Tax Preparers Standards of Practice as outlined by Circular 230 has implications for this study. Tell (2006) explained that standards of practice make clear to the tax community the expectations of tax preparers with diverse levels of qualifications and credentials. Standards of Practice address issues of familiarity with the requirements of the IRC, and its impact on tax preparation. When tax preparers are not adequately trained, the advice given, and positions taken on tax matters will not be sufficient to prevent errors in tax preparation. Tax preparers have an obligation to ensure that tax advice given and positions taken reflect their knowledge, skills, and competence to provide quality service to taxpayers. However, giving advice and taking positions on tax returns can be extensive and range from simple to complex.

There are challenges in setting standards and guidelines for communicating and documenting tax advice and positions (“American Institute of Certified Public Accountants,” 2009). Advice given and positions taken on tax returns are given orally and sometimes written. When errors are made on tax returns, tax preparers must resort to documented evidence to justify the advice given and positions taken. It is easier to retrieve written evidence but retrieving oral evidence is difficult. One safeguard is to have both tax preparers and taxpayers sign the Form 2848 Power of Attorney and Declaration of Representative, which gives tax preparers the authority to provide written advice to taxpayers.

Ethical Dilemmas in Tax Preparation

Throughout the 20th and 21st centuries, laws were enacted to regulate the behavior of businesses in the United States and globally. The stock market crash of 1929 led to the

formation of the Securities Exchange Commission (SEC) in order to regulate practices in the stock market. The Lockheed scandal resulted in the Foreign Corrupt Practices Act of 1977 (FCPA); the U.S. Federal Sentencing Guidelines (FSG) of 1991 mitigate penalties dependent upon the ethical processes and procedures that corporations have in place to attempt to ensure that the company maintains ethical business practices; and the latest corporate scandals involving Enron and notable others have led to the Sarbanes-Oxley Act (2002).

The indiscretions of businesses and increased calls for regulation and higher ethical standards for organizational members resulted in the emergence of codes of ethics to provide guidance to members on practices that encourage ethical behavior and higher ethical standards (Tan & Chua, 2000). Ethical behavior is not just a matter of acting in a manner permitted by law. It necessitates building on specific practices that are acceptable and center on customs, attitudes, values and norms within which people are expected to operate daily (Doyle, Hughes, & Glaister, 2009; Akhter, Islam, & Uddin, 2009). De Witt and Dahlin (2007) explained that an individual's ethical behavior is influenced by his or her values, work background, age, and personality. In fact, the way individuals conceptualize right and wrong when faced with challenging moral choices is developed through formal education and preserved through continuing education. Hence, education and training are critical components of initiatives designed to encourage ethical behavior and standards for the professional conduct of business.

According to Hite and Hasseldine (2003) some tax preparers condone aggressive reporting during tax preparation. Monsour, Elias, and Cruz (2006) pointed out that

professional bodies and the IRS require that tax preparers act with integrity to maintain public trust. In practice, many tax preparers are faced with ethical dilemmas involving tax issues and resort to unethical activities. Tax preparers, taxpayers, and the IRS/Tax Agencies have varying expectations of the tax preparation process. Tax preparers expect reliable information from taxpayers to prepare accurate returns. Taxpayers expect tax preparers to provide advice and take positions to reduce tax liabilities within the ambits of tax laws. The IRS/Tax Agencies expect tax preparers and tax payers to comply with the IRC. Monsour, Elias and Cruz (2006) explained that ethical dilemmas surface when some taxpayers are willing to adopt aggressive or even fraudulent positions based on a low probability of detection. The situation is further exacerbated when some tax preparers are willing to go along with taxpayers demands for aggressive positions or fraudulent schemes. Licensed and certified tax preparers are influenced in their practices by personal integrity and professional ethics when taxpayers seek overly aggressive tax positions such as altering tax liability and/or tax fraud.

Contemporary tax preparers must be able to balance a host of different demands. Maintaining equilibrium is indeed difficult for tax preparers as they seek to meet the demands of the IRC, taxpayers, and other stakeholders in the income tax community. Monsour, Elias, and Cruz (2006) pointed out that the challenges of income tax preparation create likelihoods for tax preparers to be faced with ethical dilemmas during the tax preparation process. Doyle et al. (2009) explained that ethical behavior in tax preparation necessitates assessing the risk of potential challenges by the IRS and other tax agencies.

The increased move to integrate risk management procedures into the day-to-day work of tax preparers has emerged as a very significant issue for tax practice.

When tax preparers take aggressive tax positions, they must be prepared for the likelihood of challenges. Aggressive positions and advice lead to “gray areas” in the tax preparation process and the possibility of audits by the IRS and tax agencies. The underlying basis for taking aggressive positions is competition. The increased demand for tax planning and preparation services has resulted in Attorneys, CPAs, EAs, Unrolled Agents in nationwide tax preparation chains vying for tax business. Murphy (2005) explained that tax planning is useful because it involves making use of strategies to legally minimize tax liabilities. Bolt-Lee and Moody (2009) pointed out that client demands create pressures on tax preparers to take aggressive tax positions and give advice they know will later harm taxpayers. In addition, many tax preparers treat taxpayers as clients in a fast food restaurant who must be processed at the fastest possible rate to make accommodation for other taxpayers. It is during this process that mistakes are made, hasty advice is given, and unfounded tax positions are taken on tax returns that can later hurt taxpayers and cost them financially.

Competition has also led to decrease in ethical behavior as tax preparers engage in marketing practices to obtain and retain clients. Aaronson (2005) pointed out that the profit motive leads tax preparers to engage in practices that will give taxpayers larger refunds or reduced tax liabilities. In the process of satisfying the demands of taxpayers, many tax preparers commit human and deliberate errors and violate tax laws. Some tax preparers take advantage of loopholes in the tax system to take positions that can increase the tax

refunds of tax payers. Hence the actions and policies adopted by many tax preparers appear to be exploitative and taxpayers are treated as means to an end (Altman, 2007). In a highly regulated industry, the practices of tax preparers mentioned earlier raise questions of the quality of service tax preparers are willing to offer in exchange for the compensation and to satisfy the profit motive.

Arguably, many tax preparers do not purposefully set out to engage in practices that are outside the boundaries of widely accepted values and principles of tax preparation. Yetmar and Eastman (2000) pointed out that the abundance of litigation aimed at tax preparers has resulted in behavior modification to ensure that ethical standards are upheld in tax preparation. Bolt-Lee and Moody (2009) pointed to a dilemma in the tax preparation industry where taxpayers and tax preparers see the IRS as an adversary. Some taxpayers and tax preparers see adherence to ethical guidelines and federal regulations creating a philosophical dilemma between tax compliance and taxpayer desires. Taxpayers want a tax preparer that will help them avoid taxes, but still do the right thing (Bolt-Lee & Moody, 2009). Hence establishing ethical guidelines to clarify the tax preparer's judgment, responsibilities and obligations should provide a value-adding element that will offer many benefits taxpayers.

A seminal writer, Forsyth (1980) suggested that tax preparer variations in approaches to address ethical standards in tax preparation may be evaluated from two approaches: idealism and relativism. Idealism is the extent to which an individual is concerned for the welfare of others. Highly idealistic tax preparers feel that harming others is always avoidable. Hence the idealist tax preparer would rather not choose between the

lesser of two evils when negative consequences for other people would result. Those who are less idealistic, in contrast, do not emphasize such ideals, for they assume that harm will sometimes be necessary to produce overall good results.

In contrast, relativism is the rejection of absolute moral rules to guide behavior. Highly relativistic individuals adopt a personal moral philosophy based on skepticism. They generally feel that moral actions depend upon the nature of the situation and the individuals involved. When judging others, they weigh the circumstances more than the ethical principle that was violated. People that are low in relativism, however, argue that morality requires acting in ways that are consistent with moral principles, norms, or laws (Swaidan, Rawwas, & Vitell, 2008).

The concepts of idealism and relativism have implications for evaluating ethical behavior and standards in tax preparation. Patricia, Davidson, and Schwartz (2001) explained that the concepts of idealism and relativism are not opposites. In fact, a relativist could be either high or low in idealism. Further, applying the relativism-idealism concepts to the tax preparation process allows the determination of the potential influence of the tax profession's ethical standards on the tax preparers.

Patricia, Davidson, and Schwartz (2001) pointed out that tax preparers respond to compliance with standards of ethical practices based on the environments in which they operate. Tax preparers regardless of their qualifications and credentialing are individuals who perceive standards of practice in tax preparation differently. Because tax preparers' actions are shaped by their culture and customs, ethics training consistent with the

standards of practice of the IRC must be enforced through continuing professional education.

Tax Preparation Errors

According to the American Institute of Certified Public Accountants (2009), income tax preparation errors includes positions, omissions, or methods of accounting on income tax returns whether current or retroactive that do not meet the standards set out in the Statement of Standards for tax Services (SSTS) No. 1, Tax Return Positions. Further, errors must be significant and affect the taxpayer's liability to warrant investigation or action to correct it. Errors that have insignificant effect on taxpayer's tax liability are immaterial. However, tax preparers make the determination as to whether errors are insignificant or not based on their professional judgment of the facts and circumstances of the case. Tax preparers who are members of the AICPA have an obligation to inform taxpayers in a timely manner of errors, their consequences, and corrective measures to rectify the problem.

Taxpayers are aware that tax preparers can make mistakes in the tax preparation process and that using tax preparers do not guarantee returns free of errors. Stephenson (2007) explained that taxpayers' choice of tax preparers are mostly based on the perception that tax preparers possess the requisite skills and competence to prepare tax returns, reduce tax liabilities, and increase tax refunds. Cords (2009) suggested that lack of training may account for many unintentional errors caused by tax preparers. Similarly, Soled and Goodman (2010) explained that human errors in tax preparation can occur easily through misinterpretation of the law, misconstruing the taxpayer facts, or mechanical data entry

mistakes. However, there are several reasons for deliberate errors, including preparer incompetence, preparer dishonesty where they seek more revenues to facilitate sale of an ancillary product or services.

Sometimes tax preparers are aware that taxpayers are misstating facts when they use someone on their tax return for the benefit of exemption who does not meet the IRS requirements as a legitimate dependent (Cords, 2009). Increasing the number of exemptions reduces taxable income and tax liabilities. The overall effect of this action results in greater income tax refunds to the taxpayer. In other cases, it may include failure to file returns or late filing, negligent tax preparation or incorrect tax planning advice (Soled & Goldman, 2010). Hite and Hasseldine (2003) pointed out that occurrences of human or deliberate errors appear to be more a function of the complexity of the tax return and were consistent across all levels of tax preparers regardless of their qualifications and credentials.

The fact that tax preparation errors seem to be a function of the complexity of the tax return has implications for this study since it seems to be evident across all tax preparers regardless of their training. It seems prudent that the tax preparation processes should have checks and balances. The checks and balances should ensure that data is entered into software by data entry personnel and verified by the most experienced and trained tax preparers who are versed in interpreting tax laws. Wacker (2008) pointed out that one aim of academic research is to develop models that can be used to enhance processes. Hence a novel approach to tax preparation should include a system that allows attorneys and EAs to interpret tax laws because they are versed in tax practice and

procedures. CPAs should focus on computations and accuracy of data because their training better prepares them for these functions. Unenrolled Agents are best suited for data entry purposes because of their limited scope in practice.

A system of checks and balances if rightly implemented in tax preparation may significantly reduce human errors which results from misinterpretation of tax laws and procedures. Raskolnikov (2006) suggested that to reduce deliberate errors especially those resulting from intentional acts, training in ethics is required at all levels of tax preparation to ensure that tax preparers comply with the IRC. A system of checks and balances require specialists in various aspects of tax preparation based on qualifications and credentialing. To remedy this situation and to reduce tax preparation errors, training of tax preparers should be uniformed throughout all 50 states so that all tax preparers are guided by the same standards of practice.

Legal Compliance in Tax Preparation

Tax administration is tax policy aimed at preserving the intention of the drafters of the IRC to ensure the laws are effectively carried out with minimal complication and ambiguity (Vehorn, 2011). The basis for compliance in tax administration is effective audits and penalties for noncompliance since tax preparers and taxpayers are likely to comply with tax laws for fear of sanctions. Leviner (2008) suggested that compliance is most likely where the risk of detection is significant. Oh and Lim (2011) and Moehrle et al. (2009) suggested training as an alternative to sanctions and penalties imposed on tax preparers who violate the IRC. Striz (2010) explained that educated tax preparers can

provide better tax advice and representation before the IRS and therefore better tax preparation services to taxpayers. Tax preparers with qualifications and credentials such as professional licenses and certifications can set standards and avoid compromise in the delivery of tax preparation services.

Black and Black (2004) pointed out that the IRS is a government police agency and the process of tax preparation requires disclosure to the government on behalf of clients. Regardless of the perception of the IRS role in administration of tax preparation taxpayer-tax preparer relationship involves trust (Hill, 2009). Tax preparers trust that taxpayers will provide reliable information, and taxpayers trust that tax preparers will provide advice and take positions to reduce tax liabilities. Manning (2008) pointed out that the IRC impose professional skill requirements, but does not suggest nor confer standards of legal competence. The acts of tax preparation and claims for refund compensation that creates fiduciary relationships with the taxpayer and tax preparer. Tax preparers are critical to compliance with tax policies and influences taxpayer behavior and compliance with tax laws.

Savage (2006) pointed out that evidence exists that in some cases taxpayers have coerced tax preparers to intentionally understate income or overstate deductions. Some tax preparers have lead taxpayers into greater non-compliance. Most taxpayers prefer to have an honest tax preparer to help them to comply with the income tax laws. Taxpayers rated the honesty of the tax preparer as the most important attribute followed by minimizing conflict avoidance, creative accounting, and aggressive tax planning. Tax preparers are more diligent in finding ways to minimize tax liabilities because taxpayers expect them to

minimize it. Logue (2005) explained that many tax preparers are likely to exploit loopholes in the law to suit taxpayer's needs of tax avoidance, but they are unlikely to put themselves in illegal schemes that will put them in an uncomfortable situation.

The taxpayer-tax preparer relationship is centered on the tax preparer's belief that reliable information will be provided by the taxpayer. Flemming, Doran, Whittenburg, and Raabe (2007) pointed out that tax preparers must confirm suspicious data supplied by a taxpayer. To confirm suspicious data supplied by taxpayers requires an understanding of tax laws, procedures, and practice. Tax preparers who are not adequately trained or have not been keeping abreast with changes in tax laws may expose taxpayers to situations that can result in human errors. Flemming, Doran, Whittenburg, and Raabe (2007) explained that when tax preparers fail to follow the specified rules of tax practice that result in errors, he or she may be subject to disciplinary action in the form of various civil and criminal penalties. Both statutory and administrative penalties apply in situations where tax preparers fail to ask the proper questions about a client's data. However, vast majorities of preparers are not regulated, registered or required to demonstrate any level of training or competency. Because of the lack of adequate training of many tax preparers, Hill (2009) pointed out that taxpayers are injured during the tax preparation process and it results in financial cost that takes time to recover.

To alleviate the problems of noncompliance that leads to penalties and sanctions for both tax preparer and taxpayer, Elgin (2008) suggested that tax practices should reflect a balanced approach and enhanced cooperation between the government and private sector in formulating standards of conduct for tax preparers. By fulfilling continuing professional

education requirements, and affiliation to professional bodies tax preparers are expected to keep current with changes in tax laws and attain to standards of conduct in professional practice. Keeping current with changes in tax laws and attaining to standards of professional practice help tax preparers remain alert to their obligations under Circular 230 of the IRC.

In addition to the fiduciary relationships between tax payers and tax preparers, the latter have an obligation to exercise special care towards tax payers with whom they have valuable close relationships of dependency. Gargalas (2010) explained that tax preparers and taxpayers are not equals because the former is seen as the expert and the latter is not. Failure to take steps to protect the vulnerability of the taxpayer can be considered negligence on the part of the tax preparer and a breach of moral and ethical codes surrounding the relationship. Mc Gowan (2009) strongly emphasized the need for tax preparers to protect tax return data and joins with the IRS in supporting criminal penalties for the disclosure of confidential tax return data by tax preparers. Mc Gowan (2009) explained that tax preparers should be prohibited from disclosing return information or using it for any purpose other than tax preparation.

Nevius (2008) pointed out that the issue of privacy is addressed under Section 7216 of the IRC. Taxpayers have greater control over information shared with tax preparers. It is the duty of tax preparers to explain privacy safeguards to taxpayers and have them sign the Consent to Use Form to gain permission to prepare their income tax returns. Tax preparers who recklessly disclose taxpayers' information without their consent commits a misdemeanor with a maximum penalty of one-year imprisonment plus fines of up to a

\$1,000. However, McLeod, Pippin, and Mason (2009) suggested that the larger issue has to do with trust in privacy.

Anderson, Kanter, and Slave (2004) pointed out that ethical practice demands tax preparers put systems in place to assure taxpayers that personal information collected and entered into the tax preparation software will not be divulged to unauthorized persons or systems. Systems to protect data must also include electronically storing data rather than manually storing paper in cabinets. In the tax offices, computers must be positioned so that taxpayers cannot view the information of other taxpayers. All information written on paper must be shredded and disposed of safely. Tax preparers should avoid using waste paper baskets in offices for fear that confidential information from taxpayers will be exposed to unlikely users.

According to Bauman and Mantzke (2004), tax preparers should adhere to professional standards and follow the law. Tax preparers are expected to adhere to the tax codes in their respective states and local bodies and agencies associated with consumer protection. Given the critical role that tax preparers play in facilitating compliance in light of the growing complexity of tax returns, Desmond and Murphy (2009) explained that preparers are falling short in their obligations to the tax system and, in some cases, even facilitating noncompliance. As such, taxpayer-tax preparer relationships have been significantly modified through added uncertainties and sanctions for noncompliance (Bolt-
Lee & Moody, 2009). Therefore, tax preparers giving written advice are now required to identify and consider all relevant facts and relate those facts to the law, including any judicial decisions. They must also use reasonable methods and assumptions to determine

the facts. Circular 230 state that it is not unreasonable to rely on a projection, financial forecast, or appraisal; unless the tax preparer knows that it would be bad judgment to rely on it. Kirkland (2005) pointed out that tax preparers must take into account all relevant facts that they have knowledge of, or should have knowledge of, when giving written tax advice to a client.

Tax preparers' obligation to enforce tax policy has implications for this study. Noncompliance with tax laws can affect both the tax preparer and the taxpayer. IRS audits of tax returns with errors can result in financial costs to taxpayers who must pay the liabilities plus interest and penalties accrued during the audit period. Further, tax preparers can be sanctioned and made to pay penalties in cases of misconduct resulting in violations of tax laws. Oh and Lim (2011) suggested that education and training can improve competence, reduce audits, and help tax preparers avoid penalties and sanctions. Another implication for the study is the provision for training in ethics in keeping with the mandate of the U.S. Federal Sentencing Guidelines (FSG) of 1991 (Palmer & Zakhem, 2001). The underlying principles of the FSG mandates that tax preparers develop compliance programs that have clear standards of practice for tax preparers, and the for oversight in tax preparation. The FSG provides a good starting point for all tax preparers to review their own ethical practices. It provides opportunities for training and education in business ethics since the primary goal of ethical training in organizations is compliance with ethical standards.

Tax Preparers' Qualifications and Credentialing

According to Elgin and Miller (2009) Code Section 7701(a) (36) of the IRC describes tax preparers as individuals who prepare or employ others to prepare all or part of a tax return for compensation. Mc Gowan (2009) explained that software developers engaged in the business of providing auxiliary services in connection with tax preparation are tax preparers. However, tax preparer's duties are not limited to the mechanical or clerical input of data or providing auxiliary services. Persons reviewing, appraising, and furnishing sufficient information and advice to facilitate the completion of a tax return are considered tax preparers.

Tax preparers varying levels of qualifications and credentials influence their practice and place them in groups: CPAs, attorneys, EAs, and Unenrolled Agents. Cords (2009) explained that attorneys, CPAs, and EAs can practice before the IRS. However, Unenrolled Agents have limited scope to practice before the IRS. Limited scope includes preparing, signing and answering questions on returns they prepared, and excludes representation before IRS Appeals and Revenue Officers. Although EAs are not as popular as CPAs and attorneys, they are technically more qualified as tax preparers because the training is more focused on taxation and tax procedures. Because of the shortcomings of the accounting and business degrees, the CPA examination, and law degrees focus primarily on tax practice and procedures. Continuing professional education and the relevant certification and licensure will give taxpayers the perception of credibility.

Further, training in ethics received by CPAs, attorneys, and EAs gives the impression that tax preparers are competent.

Certified Public Accountants

CPAs practice in their state of residence or in jurisdictions where they are licensed to practice. CPAs are required to have advanced degrees and licenses to practice. They must have a minimum of 150 semester hours of education and pass the Uniform CPA Examination to qualify for the certificate and license to practice public accounting. Burke and D'Aquila (2004) pointed out that the Uniform CPA Examination is designed to test knowledge and skills relating to public practice and thus may be inadequate in the area of taxation. The Uniformed CPA examination has one module each on tax preparation and federal taxation. These modules focus 60% computation and 40% tax laws, and can prepare an individual for tax practice. To enhance competency and maintain the skills and abilities to be successful, CPAs are required to complete a minimum of 40 contact hours of acceptable continuing education in related subject areas or 24 contact hours of acceptable formal continuing education concentrated in one subject area.

Attorneys

Blackman (2004) pointed out that attorneys are best suited in cases of complex tax returns and where clients require advice on the legality of tax moves. They may only practice in jurisdictions where they have been admitted or licensed. To ensure that licensees have morals and values in harmony with those of the community, states require applicants to possess high principles, evidenced by ethical behavior. Attorneys have advanced degrees and to maintain competency, they are required to complete continuing

legal education courses annually (Mc Manus, 2002). Black and Black (2004) explained that law degrees are not adequate training for tax practice because many of the computations involved in calculating tax issues are not taught in coursework. Since most tax litigation involves money, attorneys' advice and representation may result in malpractice.

Enrolled Agents

EAs are certified and regulated by the IRS. EAs credentialing is national and allows them to practice in all 50 states in the United States. They must pass a two-day Special Enrollment Examination administered by the IRS, which identifies them with special skills and expertise in tax matters (Mathisen, 2000; Blackman, 2004). The EAs examination is more focused on taxation in three components: personal taxation, business taxation, and representation practice and procedures. In addition, they must pass a federal tax compliance and suitability check. The tax compliance check will determine if the individual has filed all of his or her required tax returns and has paid all tax liabilities. The suitability check determines if the applicant has engaged in any activities that would justify suspension or disbarment. For example, suitability checks are used to determine whether persons seeking to become EAs have engaged in disreputable conduct. Additionally, EAs can enhance their proficiency in taxation and related matters by participating in continuing education, which includes accounting, tax, and ethics courses.

Unenrolled Agents

Many Unenrolled Agents have the high school diploma as their highest education, while some have bachelors and masters degrees in accounting, business administration and other subject areas not related to business. Black and Black (2004) explained that degrees in accounting and business administration are not adequate training for tax preparers. The course content for degrees in accounting and business administration do not provide adequate knowledge of the requirements for tax practice. Tax preparation requires knowledge of tax laws and procedures. Seminal writers Wilkie and Young (1997) explained that taxes are pervasive in everyday life and recommends that Unenrolled Agents focus on completing basic income tax courses similar to the 66-hour Basic Tax Course offered by many tax commercial chains. The primary purpose of basic income tax courses is to provide students with a template of federal income tax that focuses on the basic principles of taxpayer activities, and entities (Wilkie & Young, 1997). Most tax preparers would have done introductory tax courses during training but for the Unenrolled Agent, these courses may be the only formal training they ever receive in income tax.

Tax Preparers' Training and Education

Training has always been advocated as a vehicle for improving skills, and subsequently the performance levels of employees. However, some researchers and practitioners have criticized the efficacy of training, and whether the knowledge acquired is transferable to job situations and providing practical solutions. The purpose of training is to provide employees, and professionals with the level of job skills and knowledge necessary for them to perform tasks relevant to their jobs. It is prudent to underscore at this

juncture that very few employees and professionals come into job situations with all the knowledge, skills, and experience essential to perform in their jobs. Nguyen et al. (2010) explained that people are more likely to pursue training if their jobs have great responsibility, and is cognitively complex. Regardless of the arguments advanced by practitioners and researchers for training, Muhammad, Morris, Azhar, and Kayani (2011) pointed out that trained personnel add to the quality of services or products offered to customers.

In the tax preparation field, determining who experts are can be difficult. Dusenbury et al. (2003) pointed out that some stakeholders in the income tax community use years of experience and tax knowledge as a measure expertise, while others measure expertise by qualifications and credentials. Cords (2009) explained that attorneys, CPAs, and EAs are the preparers eligible to practice before the IRS. Unenrolled Agents have limited scope to practice before the IRS. The scope of practice limits Unenrolled Agents to preparation, signing and answering questions on returns they prepared. The difference with eligibility to practice before the IRS lies in the levels of education, certification, and licensing. Schmidt (2001) explained that taxpayers perceive most of the employees in tax preparation commercial chains as Unenrolled Agents who are not certified and licensed. Tax preparation commercial chains employ tax preparers with varying levels of qualification and credentials and advocate these tax preparers as “tax professionals” and “tax advisors.” Although the titles “tax professionals” and “tax advisors” might be confusing to some taxpayers, Schmidt (2001) pointed out that EAs, CPAs, and attorneys are employed my many commercial tax preparation chains.

To meet the challenges of income tax preparation, the experience, training, and tax knowledge of tax preparers are relevant. Hill (2011) pointed out that there is a level of skill needed to be a competent tax preparer and those who have attained to the highest level should be distinguished from those who have not. The IRS differentiates between those tax preparers who are eligible to practice before their agents and those tax preparers who have limited scope (Cords, 2009). Tax preparers are expected to pursue training that will result in high levels of competence, knowledge, skills, and proficiency commensurate with the expectations of the tax preparation profession (Oh & Lim, 2011). Coetzee and Oberholzer (2009) pointed that training in accounting, and taxation is not adequate to produce skilled, knowledgeable, and competent tax preparers because most tax education curricula focus on memorizing the IRC with little allowance for applying the tenets of the tax laws in practical situations. Effective income tax training must result in providing tax preparers with the requisite skills, and knowledge to assist taxpayers with the most trusted advice.

Cords (2009) suggested that tax preparers need training to ensure that taxpayers are not harmed when advice and tax positions are given during income tax preparation resulting in understatement of tax liabilities, and overstatement of refunds. When tax preparers are trained in taxation over short durations in “crash” courses lasting from one week to three months, this type of training affects the tax preparer’s ability to interpret the requirements of the IRC. When tax preparers have limited knowledge of the IRC, it leads to misinterpretation of tax laws resulting in overstatements of refunds or understatement of tax liabilities. More intensive training such as EAs certification, licensing, and continuing professional education tailored to address a deeper understanding of the IRC and ethics

result in tax preparers having greater awareness of the requirements of the IRC. De Felice (2011) highlighted the systems the IRS has put in place to foster greater understanding of the tax laws for Unenrolled Agents.

The greater issue with tax preparers training has to do with the aggressive positions they are willing to take when dealing with tax issues. Attorneys, CPAs, and EAs are perceived as having greater tax expertise than Unenrolled Agents (Schmidt, 2001). Hence, there are greater expectations of tax preparers with credentials and licenses to provide aggressive tax advising. The aggressiveness is not limited to tax preparation, tax planning, and tax advising, but in advocating their services. The AICPA has been advocating that CPAs should differentiate themselves from other tax preparers by highlighting their credentials, commitment to ethical standards, pursuit of continuing professional education requirements, and their availability and accessibility year-round.

Tax preparers' availability and year-round accessibility is linked to their qualifications and credentials, and their ability to practice before the IRS. Attorneys, CPAs, and EAs can offer year-round services to taxpayers because they are qualified and licensed to make representation to tax agencies on tax issues such as audit representation, payment arrangements for tax liabilities, and serving as Power of Attorneys for taxpayers. Holtzman (2004) explained that licensed and certified tax preparers offer year round service because they must respond or react to changes in regulations and statutes that affect taxpayers .Unenrolled Agents do not offer year-round services because they see taxpayers as means to an end (Altman, 2007). The differentiation of tax preparers by qualification and credentials is intended to send messages to taxpayers that licensed and certified tax

preparers offer quality services. Quality service does not guarantee tax preparation free of errors. However, because licensed and certified tax preparers are accountable for their actions to the IRS, and licensing and credentialing bodies, higher standards and quality professional service in tax preparation are expected (Elgin, 2008; “American Institute of Certified Public Accountants,” 2009).

Continuing Professional Education

Providing quality professional service to taxpayers requires training and continuing conditions for professional competence. (Magableb et al. (2011) and Daniel (2008) pointed out that tax preparers with higher levels of education, and positive perceptions of the benefits of training, are more likely to focus on pursuing continuing professional education requirements that enhances professional values, ethical principles, and behavior.

Continuing professional education has become prominent in the income tax industry because it allows tax preparers to transfer their knowledge, skills, and abilities to practices that meet and exceed the expectations of taxpayers (Massis, 2010). All tax preparers are required to meet continuing professional education requirements. Attorneys and CPAs have to meet continuing professional education requirements for professional bodies to which they are affiliated. Currently, EAs must meet continuing professional education requirements to retain certification status with the IRS. Beginning 2013, all Unenrolled Agents must meet continuing professional education requirements to practice with limited scope before the IRS.

The greatest argument for continuing professional education is that it reduces obsolescence of knowledge and skills. O’Leary, Quinlan, and Richards (2011) pointed to

the dilemma tax preparers encounter when their knowledge and skills are outdated and explained that tax preparers assistance are often overlooked when their knowledge of tax laws are not current. It is sometimes difficult for taxpayers to determine if tax preparers are current with their tax knowledge. That explains why taxpayers rely on licensing and credentials as a measure of tax preparers knowledge of tax laws, skills and overall competence in tax preparation. O'Leary et al. (2011) suggested that continuing professional education should have the following outcomes: the tax preparer must be satisfied, have acquired and retained skills and knowledge, is willing to transfer that knowledge and skill to current practice, and taxpayers should benefit from the knowledge and skills acquired through continuing professional education.

Although tax preparers can be distinguished by their qualifications and credentials, Placid and Cecil (2009) placed them into two categories, signing, and non-signing. Signing preparers have primary responsibility for the overall substantive accuracy of the preparation of a tax return. By signing the tax return, the individual is assuming primary responsibility for the preparation (Elgin & Miller, 2009). The issue of who should take responsibility for the preparation of a tax return lies with the person who signs the return or their employer. Desmond and Murphy (2009) pointed out that when a person associated with a firm signs a return, or when more than one person works on a return, the person with overall supervisory responsibility is liable regardless of actual culpability. In other cases one does not have to even sign a tax return to be exposed the penalties under Section 6694 of the IRS Code (Manning, 2008). Non-signing preparers prepare all or substantial portions of returns based on events and advice rendered. For non-signing preparers, the

central issue is what portion of a return is substantial for the individuals to be tax preparers. To take responsibility for tax preparation, the size, and complexity of the item under review are considered relative to the taxpayer's gross income. In other cases, the understatement and overstatement attributable to the tax liability or refund respectively are important considerations when determining whether a substantial portion of a tax return was under review.

Understanding who tax preparers are has implications for this study. They are involved in the tax preparation process and understand the laws governing the practice. The descriptions and explanations of their experiences with violations of federal, state, and local laws can shed light on strategies to improve tax preparer skills and competence such that violations and errors are reduced. Another implication for this study centers on tax preparers scope of practice before the IRS. Whereas attorneys, CPAs, and EAs can represent taxpayers before the IRS in cases of audits, Unenrolled Agents cannot make any form of representation for taxpayers (Brager, 2010; Tell, 2006).

Tax preparers training including their credentialing and licenses also have implications for this study. Circular 230 defines the scope and eligibility for practice before the IRS. Whereas attorneys, CPAs, and EAs can practice before Revenue Officers and the IRS Appeals, Unenrolled Agents are limited to preparing and signing returns and answering questions on returns they prepared. Unenrolled Agents face the following dilemmas in their practice. Altman (2007) explained that Unenrolled Agents cannot offer year-round service. Second, they cannot represent taxpayers on matters before the IRS. Finally, in cases where errors were made, the responsibility is on the taxpayer to resolve

the issue. Unenrolled Agents' scope to practice before the IRS raises questions about their knowledge of the tax laws, and overall competence as tax preparers.

Another implication for this study is that only two states, Oregon and California have systems in place to ensure tax preparers receive adequate training to provide quality advice, and tax preparation services. Tax preparers in Oregon and California are mandated to have the required training, licenses, and continuing professional education consistent with their state laws and the requirements of Circular 230 (Bauman & Mantzke, 2004). The remaining states have placed the burden of ensuring that tax preparers provide quality tax preparation service to the Department of Consumer Affairs. The Department of Consumer Affairs monitor tax preparation activities and carry out annual audits on tax preparers to ensure compliance with federal, state, and local laws.

Finally, licensing and credentialing of tax preparers may give taxpayers and the tax community the impression of competence and credibility. However, it is the qualifications of tax preparers that must be evaluated for their efficacy in tax practice. Moehrle et al. (2009) supported education and training of tax preparers as measures of competence and credibility. The 66-hour tax preparation courses offered by tax preparation chains are more focused on basic tax preparation and tax procedures than the training Attorneys receive in tax preparation. Tax preparation chains also have mandatory continuing education requirements for continuing employment. The training offered by tax preparation chains gives the impression of competence and credibility of their tax preparers who are not licensed and credentialed.

When the qualifications and credentialing of tax preparers are evaluated for efficacy in tax preparation, EAs because of their focused training and national certification appears to be more competent in tax preparation and tax procedures (Mathisen, 2000). CPAs and attorneys are licensed and certified to practice in their respective states but do not have the required training in tax preparation and tax procedures like the EAs (Burke & D'Aquila). Black and Black (2004) explained that Unenrolled Agents working for major tax preparation chains are trained in basic tax preparation and tax procedures, have accounting and business degrees, but are not licensed and credentialed to practice before the IRS and operate year round service.

Summary of the Literature

The literature reviewed in this study gave an overview of tax preparation from three perspectives: ethical standards and behavior, tax preparers' qualifications and credentialing, and legal compliance in tax preparation. Each section of the review highlighted implications of the literature for the study. It was observed during the review that very little research exist on the topic under study. Most of the articles discussing the issues of ethics, compliance, and tax preparers training were dated in the 1990s. One plausible explanation seems to be many authors responded to the effects of the U.S. Federal Sentencing Guidelines of 1991 on tax practices. By the end of the 1990s very few articles were written on these issues. However by the late 2000s when Circular 230 was revised, there was resurgence in research on ethics, compliance, and tax preparers training in tax preparation.

The central theme emerging from the review is the need for tax preparers to be trained in ethics, tax practice and procedures, and interpretation of tax laws and regulations. The current training and education received by many tax preparers put them at variance with the demands of sound tax preparation practices. Unenrolled Agents have limited scope to practice before the IRS because their training consist of “crash courses” in tax preparation with very little provision for meeting mandatory continuing education requirements. Mombrun (2006) pointed out that many Unenrolled Agents take the “crash courses” without giving too much thought to the relevance of the courses in the broader context of ethics and practice. The inadequate training received in tax preparation gives the perception to some stakeholders in the income tax industry of a lack of competence. Most tax preparers in the United States fall into this category, and it seems necessary that State Tax Agencies regulate Unenrolled Agents to ensure their qualifications and credentialing are consistent with levels of training and education required to be competent tax preparers.

Attorneys, CPAs, and EAs have unlimited scope to practice before the IRS because of their qualifications and credentialing. However, attorneys and CPAs are licensed to practice only their state of residence. Their education and training does not fully prepare them on all aspects of tax practice and procedures. Attorneys are versed in tax laws because their college coursework focuses on it. However, their coursework does not focus on computation which is a critical component in tax preparation. CPAs are fully trained in computational aspects of tax preparation as accountants, but their training is limited to only a few aspects of tax practice, procedures and interpreting tax laws. Burke and D’Aquila (2004) and Black and Black (2004) highlighted the limitations to the training attorneys and

CPAs receive in tax practice and procedures. Attorneys are trained to interpret tax laws but lack the requisite skills and competence in preparing tax returns. CPAs are versed in preparing tax returns but lack the knowledge and skills of interpreting the tax laws. The limitations of the attorneys and CPA training necessitate continuing professional education requirements that focuses on tax practice and procedures to enhance their skills and competence in tax preparation.

The training EAs receive focus on tax practice and procedures. Mathisen (2000) pointed out that the training Enrolled Agents receive provides them with special levels of skills and expertise in tax practice and procedures. Enrolled Agents have national certification conferred by the IRS which allows them to practice throughout the 50 states of the United States. Their focused training on tax practice and procedures, and national certification gave them a greater advantage over their counterparts with respect to their scope to practice nationally.

The literature reviewed on the diverse qualifications and credentialing of tax preparers seems to suggest that each group of tax preparers have specialized skills and expertise. Attorneys are versed in interpreting the law, CPAs are competent in computation and have greater numeracy skills because of their accounting backgrounds, EAs are versed in tax practice and procedures, while Unenrolled Agents focus on preparing basic tax returns. Researchers such as Cords (2009), Soled and Goldman (2010), Leviner (2008), Oh and Lim (2011), Striz (2010) and Moehrle et al. (2009) suggested that lack of training may account for human and deliberate errors in tax preparation and recommended training as an alternative to sanctions and penalties imposed on violators. Despite research that focused

on the skills and competence of tax preparers, and how the lack of training may account for errors, little research exists on strategies to reduce tax preparation errors. Only Raskolnikov (2006) proposed ethics training as one strategy to reduce tax preparation errors. There are no other mentions in the literature on strategies to reduce tax preparation errors.

CHAPTER 3. METHODOLOGY

Introduction

This study was designed to gain insights into the perceptions of tax preparers with diverse levels of qualifications and credentialing on how their training and education can overall increase their skills and competence and reduce income tax preparation errors. The Research Questions in this qualitative, exploratory study are:

1. How do tax preparers reflecting a diverse professional background perceive the effectiveness of their level of training and education in income tax preparation in reducing income tax preparation errors-human or deliberate?

SubQuestions

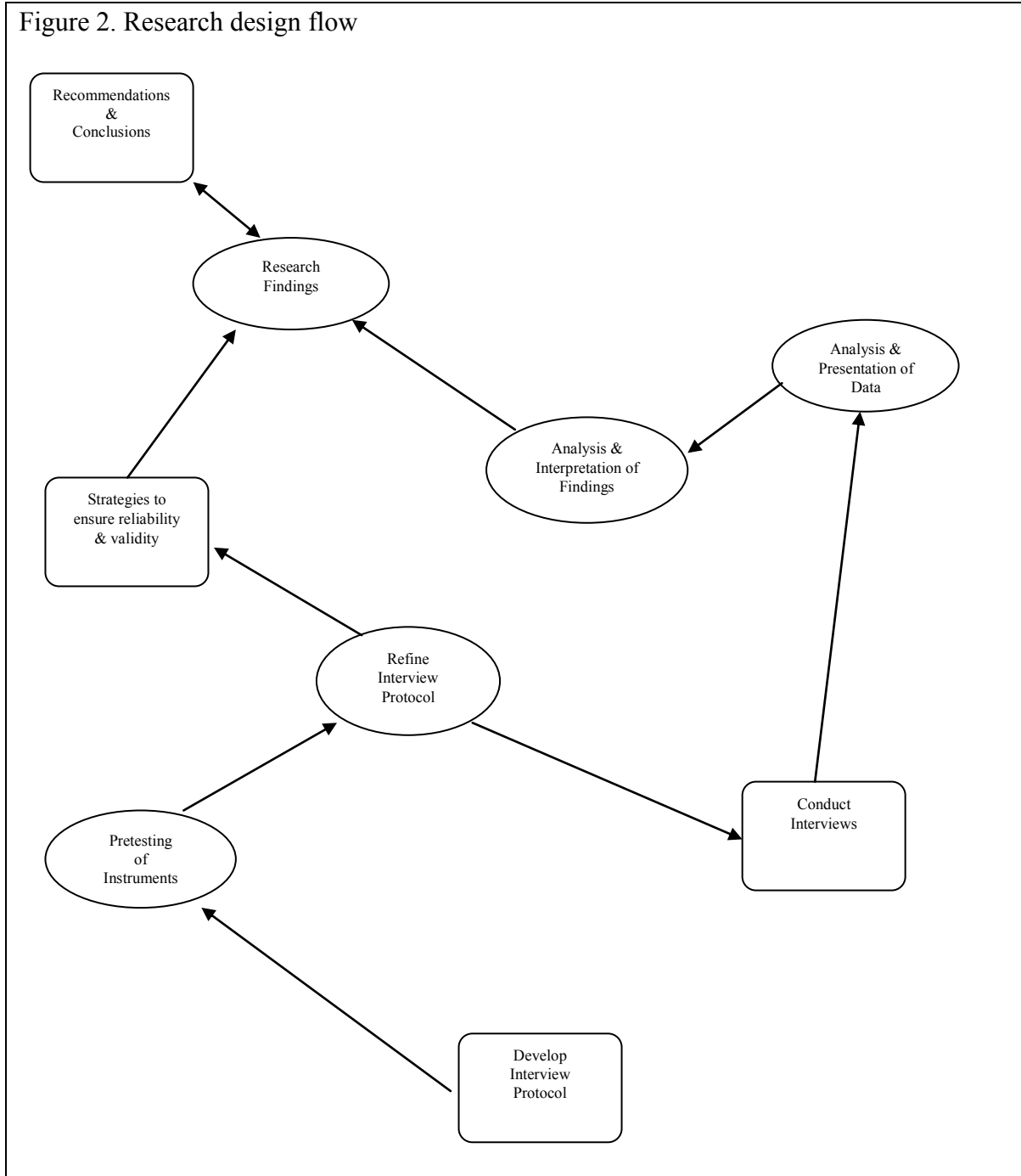
2. How do tax preparers perceive the impact of their qualifications and credentialing on the practices that can reduce tax preparation errors?
3. How do tax preparers' qualifications and credentialing impact their role in the administration of and compliance with the Internal Revenue Code?
4. How do tax preparers' professional relationships with tax agencies impact their pursuit of qualifications and credentialing in income tax preparation?

Research Design

The function of a research design is to ensure that the evidence obtained answers the Research Questions as unambiguously as possible (de Vaus, 2001). Further, the design helps the researcher make strategic choices about which methods and sources might yield data that are the most appropriate for answering the Research Questions (Mason, 2002). This study employed a qualitative, exploratory approach to inquiry using in-depth interviews. It involved obtaining the perceptions of the participants as a way to understand income tax preparation in their natural setting. In the process, significant statements, the generation of meanings, and the perceptions of the participants were analyzed (Creswell, 2009; Moustakas, 1994). Ensuring the research method is appropriate to the Research Questions and ethically acceptable were important considerations for this study (Oakley, 1999). Further, transparency in the research process was important to support the trustworthiness of its procedures, data generated, and results (Stiles, 1993).

The three-phase interview model proposed by Seidman (2006) was employed in this exploratory study. Phase 1 focused on screening the participants to gather details of their education and experience. Phase 2 focused on in depth interviews with each participant to gain insights on their perceptions of income tax preparation. Phase 3 involved member-checking by participants to ensure accuracy with tape recordings and transcripts. The research design flow for this exploratory study included a sampling plan, interviewing model, instrumentation and coding scheme, data analysis and interpretation of the findings, as described in Figure 2.

Figure 2. Research design flow



Sample

Participants for this study were selected by purposeful sampling using a maximum variation strategy (Seidman, 2006). The rationale of purposeful sampling is to select participants who will illuminate the Research Questions under study. Maximum variation sampling allowed the researcher to collect data from participants with diverse qualifications and credentialing in tax preparation (Patton, 2002; Seidman 2006). Creswell (1998) suggested a sample size for a qualitative study could be as few as five and as many as 25. Lee, Woo, and Mackenzie (2002) suggested studies using in-depth interviews as advocated by Seidman's (2006) three phase model require fewer participants.

According to Seidman (2006), the range of people from which participants are selected should be fair to the larger population and at the same time sufficient in number to reflect tax preparers with diverse levels of qualification and credentialing and their perceptions of income tax preparation. Seidman (2006) further explained that it is difficult to assess upfront the number of participants for a study but suggest it is better to err on the side of more rather than less. However, in qualitative studies the researcher reaches a point when the same information is reported and nothing new is learned.

Beune et al. (2010) suggested that saturation is reached when interviewing additional participants will not yield any new themes. Suri (2011) pointed out that using purposive sampling increases the likelihood of reaching saturation earlier in the data collection process. In this study, saturation was the criterion for determining the sample

size of 17 tax preparers with diverse qualifications and credentialing who had violated tax laws.

Participants for the study were drawn from New York City, Department of Consumer Affairs Tax Preparers Violations List for 2008 through 2011. The use of the New York City Department of Consumers Affairs Tax Preparers Violations List as part of the selection criteria ensured that only participants that violated tax laws were interviewed. The study's goal was to interview a minimum 15 but no more than 20 tax preparers with diverse levels of qualifications and credentialing. Selection was done on a rotational basis. One CPA was interviewed, then an Unenrolled Agent, followed by an EA. The final sample for the study was determined to be 17 participants. No new themes emerged after the twelfth interview but the researcher persisted with interviewing participants with the expectation of new themes emerging.

Setting

Interviews for the study were conducted with tax preparers in New York City who would have all violated tax laws. Participants were recruited from the New York City Department of Consumers Affairs List of Tax Preparers Violators for the period 2008 through 2011. Some interview sessions were conducted at the offices of the participants at times convenient to them. Other participants were interviewed at a private space in Community Center in Brooklyn, New York. The following criteria were met: a private, quiet setting with a "Do Not Disturb" sign on the door of the interviewing room, adequate

lighting and temperature, and no access to cellular phones. Stockdale (2002) suggested that it is essential for the environment to be extremely quiet with low levels of ambient noise.

Instrumentation / Measures

Bloomberg and Volpe (2008) suggested that Research Questions be used as a framework to develop the Interview Questions. A Research Questions/Interview Questions Matrix linking Research Questions to Interview Questions is illustrated at Appendix A. Using a modified version of Seidman (2006) structure for qualitative interviews, three Interview Protocol Forms, one for each phase was used to collect data. The first Interview Protocol Form illustrated at Appendix B focused on questions to gather information on the experience and education of the participants. The second Interview Protocol Form illustrated at Appendix C was used to conduct in depth interviews with the participants. The third Interview Protocol Form depicted at Appendix D was reserved for follow up questions focusing on participants' reflection of the interview process, member-checking, and additions/deletions to the interviews.

Field Test Results

Interview Protocol Forms were constructed to meet the needs of this qualitative study and provide the desired information to the study objectives. Field tests utilizing the Interview Protocol Forms were conducted to provide some reliability and validity to the instruments. The academic subjects for the field tests were three Subject Matter Experts (SMEs). All three SMEs are PhDs. The first is a psychologist with 33 years field

experience and a current Professor of Urban Health at a University in New York City. The second is a political scientist with 19 years field experience and a Professor of Political Science at a University in New York City. Both university professors have supervised doctoral research either as mentors or committee members. The third is a CPA with 26 years of field experience and a practitioner in New York City. The SMEs provided feedback on the Interview Protocol Form and the Interview Questions. The following changes were made to the Interview Protocol Form based on the feedback.

First, the order of the questions was changed. The questions on tax administration was done first, followed by those on tax preparation errors, and finally those on relationship with tax agencies. The experts felt that asking questions on errors up front will most likely result in very brief responses from participants. During the interviews it was observed that participants were apprehensive to talk about their relationship with federal, state, and local agencies after the round of questions on tax preparation errors. Second, the questions on relationship with tax agencies were restructured to accommodate tax preparers who are Unenrolled Agents. The initial questions were based on the assumption that all tax preparers have relationship(s) with tax agencies. The study revealed that most of the tax preparers who violated tax laws do not have relationships with tax agencies. Third, probes were added to the questions on tax preparation errors and relationship with tax agencies because the initial questions are likely to result in short answers. Finally, overly vague questions such as those beginning with, "what do you think about what we have been discussing," were deleted.

After the Interview Protocol Forms were field tested by SMEs, the instruments were pretested using two tax preparers who meet all the criteria of the participants in the study and were selected by the same procedure. The tax preparers used to pretest the Interview Protocol Forms were not participants in the study. According to Cooper and Schindler (2008) pretesting helps the researcher to practice interviewing techniques and to determine if the Interview Protocol Form requires revisions and time adjustment to align it with the aims of the inquiry. The results of the pretesting served as basis for revising the Interview Questions with the hope of eliciting longer responses from participants in the actual interviews.

The Interview Question, “What do you see as helping you the most to make fewer tax preparation errors?” requires probes to elicit longer responses for the participants. To remedy this shortcoming, probes such as “has your training helped you in catching errors?” “what are some of the things you do to catch errors?” and “what are some of the things that can cause you to miss errors?” were added to the Interview Protocol Form. After pretesting and prior to data collection, the probes were modified to read, “what are some of the things that can cause errors, and “what have you learned from past errors?” Further, the questions on tax preparers’ relationship with tax agencies were modified to specifically target each agency and probing questions were added to elicit responses on the benefits and drawbacks on tax preparers’ affiliation with the various agencies.

Data Collection

In this study, audio taping of the interviews was done using a digital recorder with 2GB of internal memory and capacity for 843 hours of audio voice quality. The digital recorder was equipped with MP3 and WMA recording and used USB connectivity to facilitate transfer of data by email, editing and archiving of data. The capacity of the audio taping device ensured continuous recording for all the interviews. In the event the device failed, another similar device was on standby. Patton (2002) pointed that good tape recorders are essential for collecting data during interviews. Stockdale (2002) explained that digital recorders have higher signal to noise ratio which minimizes the possibility of loss of data and results in faster and more accurate transcription. To enhance audio quality, an external microphone was positioned near the researcher and participants during interviews.

Mc Carter (1996) pointed out that even though it is lawful to record interviews, the consent of the participants were be obtained before each recording. In addition to obtaining consent to record the interviews, participants were reminded of the option to withdraw at anytime if they became uncomfortable with the interview. Seidman (2006) explained that informed consents are needed from participants because in the course of interviews sensitive issues may surface, participants' identities may be discerned, and potential vulnerabilities of participants cannot be calculated ahead of time.

When informed consents were signed by the participants, the data collection process began with interviewing participants. The aim of research interviews is to bring about intellectual understanding for the immediate benefit of the researcher, the

participants (in a secondary sense), and ultimately the academic and professional communities (Bulpitt & Martin, 2010). It is an active process that leads to contextually bound and mutually created stories (Fontana & Frey, 2005), and a discourse intended to achieve an acceptable level of shared agreement between interviewer and participants (Mishler, 1986).

In this study, the Interview Protocol Form was used as the interview guide. The interview guide was semi-structured with open-ended questions followed by probes. Medin et al. (2010) explained that semi-structured interview guides with open-ended questions followed by probes ensure rich descriptions of participants' experiences during the interviews. Seidman (2006) pointed out that people's behavior becomes meaningful and understandable when placed in the context of their lives and the lives of those around them. Participants reflecting diverse levels of qualifications and credentialing in income tax preparation were interviewed using a face-to-face, one-on-one, in-person approach. Verbatim transcription of each interview was done by a transcription expert. Miles and Huberman (1994) suggested that verbatim transcription of interviews enhance valid description and reduce inaccurate/incomplete data.

Data Analysis

MacQueen and Milstein (1999) pointed out that inappropriate or inadequate data preparation decisions delay or negatively affect the analysis process. The following is the protocol followed for preparing data for analysis in this study. First, the audio tapes with raw data were transcribed in their entirety to provide a verbatim account of the interview

by a transcription expert. Second, transcripts were standardized and formatted identically to support computer-assisted coding. A fixed width font was set at 12-point Times New Roman, with one-inch top, bottom, right and left margins and left-justified text. Third, speaker's labels were assigned to distinguish between text from the researcher or participant. The speaker's labels for participants were clearly identified by the pseudonyms assigned. Finally, transcripts were copied for several reasons. Hard and soft copies were stored for backup. Working copies for analysis was available to the researcher. Copies of the transcripts were made available to participants for member checking. Participants in the study approved all copies of the interviews before data analysis.

According to Miles and Huberman (1994), the primary purposes of data analysis are data reduction and data interpretation. Bloomberg and Volpe (2008) highlighted the iterative nature of the data analysis process and suggested it is necessary to loop back and forth in order to make sense of what is in the data. The researcher evaluated several qualitative research software packages and Microsoft Office tools for their effectiveness in meeting the study objectives. These tools include NVivo 8, Atlas.ti, Nudist, Microsoft Excel, and Microsoft Word. NVivo 8, Atlas.ti, and Nudist have advantages and disadvantages for data reduction and data interpretation. Weitzman (2000) and Robson (2002) pointed out qualitative research software packages can store and handle large amounts of data with consistent coding schemes. However, these packages require vast amount of time and effort to become familiar with and proficiency in using the programs. Qualitative research software packages are expensive and the costs of training to become competent in the use of the programs are exorbitant.

The researcher is versed in using Microsoft Excel and Microsoft Word. However, Microsoft Excel is most suitable for evaluating and processing numeric data and may not meet the data reduction and interpretation objectives of this study. Microsoft Word was used to code interview transcripts because it processes text data and has features to identify key words that evolved into themes. In making the decision whether to use a qualitative research software package, the researcher evaluated the cost, suitability and learning curve involved in acquiring the package and the skills to use it. Gibbs (2004) suggested that in choosing a tool to reduce and interpret data, researchers must be aware that it is not the computer and program that interprets the text but the person.

Bloomberg and Volpe (2008) suggested that the theoretical framework should be used as a legend to assign codes to each category. The three major elements in the theoretical framework are training, competence and standards. The three major elements in the theoretical framework were linked to the Research SubQuestions and formed the bases for the emerging themes. Research SubQuestion 1 is linked to the element of training. Research SubQuestion 2 is linked to the element of competence, and Research SubQuestion 3 is linked to the element of standards. Coding included words, phrases, sentences, or group of sentences that said anything at all about the tax preparer's perception of the three elements of the theoretical framework during the interview (Tan, Wilson, & Oliver, 2006). As data meanings emerged, themes were produced. These themes were cross-checked with coded transcripts in a recursive process until the final themes were identified. To provide an initial framework for the development of the study findings,

the following steps were taken to reduce the data for interpretation: the data was reviewed and explored to identify recurring patterns and themes, and the data was reread and coded.

The transcripts for the qualitative interviews were analyzed in Microsoft Word. The transcripts were numbered 1 through 17 .The researcher read the first seven interviews to derive common themes that emerged from the data collected during the interview sessions. The themes were words or phrases that illuminated the experiences of the participants based on the Research Questions. Each of the 7 transcripts was placed separately in MS Word and analyzed for themes. The emerging themes for each Interview Question were recorded separately. The next five transcripts were read for additional themes and the process was repeated for the final five transcripts. Each time the transcripts were placed separately in MS Word for further analysis and the additional themes that emerged were recorded. The emerging themes for each Interview Question were counted to determine how many participants indicated each theme in their responses.

Validity and Reliability

According to Creswell (2009) qualitative validity allows the researcher to check for accuracy of the findings by employing member checking to ensure credibility. In this study, participants validated the results of their transcripts to determine the accuracy of it and to make additions or deletions. The participants approved the transcripts prior to coding. Another procedure employed in this study to ensure validity was to clarify the bias the researcher brings to the research process. The researcher's prior experience as an income tax preparer posed a challenge to maintaining objectivity in the study.

Hammersley and Atkinson (1996) cautioned researchers of engaging in over-report in which they come to identify with the participants in the study so closely that they are unable to distance themselves from the accounts of the participants. The researcher did not volunteer information nor respond to questions concerning his own background and experience in tax preparation or ask leading questions during the interviews to influence the responses. Additionally, the researcher focused on the formalities in the interview process to acquire the best responses from participants relevant to answering the Research Questions rather than exhibit any signs of familiarity with the subject matter or participants. Creswell (2009) suggested that bracketing enhances the trustworthiness of the study. Prior to conducting the interviews, the researcher identified his own experiences as a tax preparer that would be examined in this study. The process did help the researcher set aside any preconceived supposition before interviewing other tax preparers and trying to construe meanings of their feelings and responses.

Vivar et al. (2007) explained that it is essential to recruit participants for this study with diverse levels of qualifications, and credentials to support transferability of its findings. Transferability is concerned with the generalization of the study and the extent to which the data are relevant to a number of contexts (Robson 2002). In this study, a maximum variation strategy was employed to select participants. Seidman (2006) explained that when a maximum variation technique is employed, it allows the widest possibility of readers of the findings of the study to connect to what they are reading.

The use of Seidman (2006) three-phase interview model to conduct interviews enhanced the validity of this study. The structure of the three interviews allows for internal

and external consistency over the passage of time (Seidman, 2006). In the initial screening, participants talked about their qualifications and experience in tax preparation. During the interviews, participants talked about their qualifications and credentialing and how it can improve their skills and competence and reduce tax preparation errors. In the final interview tax preparers reflected on their experiences and verify the accuracy of the transcripts. If the participants were not truthful in the illumination of their experiences, inconsistencies would have been detected at some stage in the interview process. If the participants are consistent throughout all stages in the interviews, it adds to the credibility of the process.

Vivar et al. (2007) pointed out that conformability concerns the concept of objectivity of the data. According to Maxwell (1992), conformability focuses on the data collection and analysis processes to address issues of potential bias or distortion. It was important that the researcher demonstrate that the findings of the study were not made up. Throughout the data collection and analysis stages of the study the researcher audio taped the responses from the participants, used a transcription expert to transcribe the responses verbatim in written form, allowed each participant to approve their own transcript, and used MS Word to extract common themes among the interview responses. By using techniques to ensure validity, reliability, transferability, and conformability, the researcher strengthened the final report through in-depth descriptions of how the study was conducted, how and what decisions were made, and any issues that occurred throughout the study.

Ethical Considerations

Holloway and Wheeler (2002) suggested that reasonable care must be taken to avoid any harm to participants in a study. Similarly, Oliver and Eales (2008) recommend ethical consideration at all aspects of the research process including interviewing participants since it is important that in obtaining data, it be done in a way that is not deceptive, nor infringes upon their rights, or results in unforeseen consequences and harm to participants. Semaan et al. (2010) pointed out that it is not necessary to reinvent procedures for protecting participants and procedures, but thorough implementation of relevant procedures is crucial to any inquiry (Semaan et al., 2010).

This qualitative exploratory study highlights the perceptions of 17 tax preparers with diverse qualifications and credentialing who had violated tax laws. The participants work in their respective practices filing income tax returns. Privacy of the participants' information is a concern to the researcher. The researcher signed the inform consent forms stating that any personal information that could be identified with participants is not disclosed. The participants also signed the inform consent forms.

Cooper & Schindler (2008) suggested that to safeguard against the possible physical harm, discomfort, pain, embarrassment, or loss of privacy, researchers should follow these guidelines: explain study benefits, participants' rights and protections, and obtain informed consent. Further deontological approaches focus on the inherent rights of research participants, such as the right to privacy, respect, and self-determinism. The environment must be permissive and non-threatening where participants feel safe and are free to share and compare their descriptions of personal experiences. It must allow for

personal expressiveness, emotions, and empathy, in which together compromise an ethic of caring (Collins, 2000).

The Department of Health, Education, and Welfare (2012) pointed out that participants in a study must be provided with information about the conduct of the study in a simple and clear manner that allows them to make the choice whether or not to participate in the study. The principle of beneficence highlighted in the Belmont Report was considered by the researcher in the study. The researcher ensured that the risks associated with tax preparers participating in the study were minimal and commensurate with the study's benefits. The findings of the study revealed strategies to reduce tax preparation errors, improve tax preparers skill and competence and suggestions for improving the quality of service tax preparers offer taxpayers. The researcher has in place a plan to protect the information disclosed by participants during the interviews. All data including the audio taped information and approved transcripts collected during the study are currently locked away in a location with access limited to the researcher only. Similarly, the information pertaining to assigning pseudonyms to participants is stored separately with access limited to the researcher only. Data and all related electronic files will be destroyed after a period of seven years.

It is often difficult to preempt ethical issues and the difficulties and dilemmas they pose in qualitative research (Walls, Parahoo, Fleming, & McCaughan, 2010). More often than not, they emerge in the field when researchers begin to look at their research participants as a means to an end or solely as data points and not as human beings (James & Platzer, 1999; Bersoff & Bersoff, 2008). Although acquiring verbal consent might be a

friendlier approach that can remove barriers between researcher and participants, it could be considered unethical practice if participants are not fully informed or did not give consent to their participation in the inquiry. Access to participants was not an issue in this study. Informed consents were obtained from all participants prior to screening at phase one of the interviews and each participant was assigned pseudonyms.

To meet the justice principle, participants in this study were selected without bias. The participants were drawn from the New York City Department of Consumer Affairs List of Tax Preparers Violators for the period 2008 through 2011. Participants were contacted personally through telephone calls, emails or letters asking for their participation in the study. No participant was excluded because of perceived benefits that may be derived from the study. Although participants were free to withdraw from the study at any time, no participant withdrew from the study. Some participants were apprehensive in responding to many of the Research Questions and provided short responses. Seidman (2006) pointed out that potential vulnerability of participants cannot be calculated ahead of time. To protect participants against potential vulnerabilities during the study, the researcher ensured that measures were in place to minimize issues of deception, reduce the need for debriefing, and guarantee confidentiality and the rights to privacy of participants in the study.

CHAPTER 4. RESULTS

Introduction: The Study and the Researcher

This qualitative exploratory study was conducted to gain insights into the perceptions of 17 income tax preparers with diverse qualifications and credentialing who had all violated tax laws. The study involved conducting in-depth, face-to-face interviews with the 17 income tax preparers. The interviews were conducted in New York City and the 17 tax preparers were drawn from the New York City Department of Consumer Affairs Tax Preparers Violators List for the period 2008 through 2011. The 17 tax preparers provided information on their training and education and how their skills and competence can overall reduce tax preparation errors. The 17 tax preparers answered questions on their role in tax administration, tax preparation errors, and their relationship with tax agencies.

Purpose of Study

The purpose of this study is to gain insights into the perceptions of 17 tax preparers with diverse levels of qualifications and credentialing who had violated tax laws on how their training and education can overall increase their skills and competence and reduce income tax preparation errors. The study provides the tax preparation community with useful information to improve the quality of tax preparation services. To meet the objectives of the study, this qualitative, exploratory study answered the following questions:

1. How do tax preparers reflecting a diverse professional background perceive the effectiveness of their level of training and education in income tax preparation in reducing income tax preparation errors-human or deliberate?

SubQuestions

1. How do tax preparers' qualifications and credentialing impact their role in the administration of and compliance with the Internal Revenue Code?
2. How do tax preparers perceive the impact of their qualifications and credentialing on the practices that can reduce tax preparation errors?
3. How do tax preparers' professional relationships with tax agencies impact their pursuit of qualifications and credentialing in income tax preparation?

Organization of the Remainder of Chapter 4

This Chapter involves in-depth details on how the exploratory study was conducted. A discussion on the role of the researcher including background and experiencing in conducting this study is highlighted. An analysis of the population and sample of tax preparers interviewed in the study is discussed. This analysis will provide the reader with demographic information of the tax preparers in the study. The reader will be provided with an analysis of how the research methodology was applied to the data analysis. The data collected at the interviews is presented and the results of the analysis are discussed. The Chapter concludes with a summary of the findings of the study.

Role of the Researcher

In this study, the researcher aimed to understand the perceptions of 17 tax preparers who had violated tax laws on how their training and education could increase their competence and reduce overall tax preparation errors. Throughout the study, the researcher's prior beliefs of tax preparation were set aside to allow the essence of the descriptions from the tax preparers to flow. Setting aside prior beliefs was important to this study because the researcher has experience as a tax preparer in New York City. Maintaining objectivity in this study was necessary because having experience in tax preparation can raise concerns of subjectivity in data collection and analysis.

To add to the validity, reliability, and transferability of the study's findings, and to make the research process transparent, the researcher bracketed himself throughout the research process by avoiding rapport with participants. By not identifying closely with the participants in the study, the researcher was able to distance himself from the accounts of the participants. Sacrificing familiarity for formality allowed the researcher to gain objective insights into the perceptions of the 17 participants who had violated tax laws (Seidman, 2006). Because the participants in the study are aware of the researcher's experience in tax preparation, several attempts were made by the participants to get his opinion on aspects of tax preparation. The researcher neither volunteered information nor responded to questions concerning his own background and experience in tax preparation at any point during throughout the research process. The goal was to gain a better understanding of the participants' role in the administration of and compliance with the IRC, tax preparation errors, and their relationship with tax agencies. The insights gleaned

from the 17 tax preparers who violated tax laws added new explanations to the existing pool of knowledge in the field of tax preparation.

The researcher has prior experience in conducting research. During undergraduate and graduate level studies, the researcher honed valuable skills in data collection and data analysis while conducting Collaborative Action Research. Prior to this study, the researcher had little experience in conducting qualitative interviews. The lack of experience in conducting interviews required gaining new knowledge of interview techniques. While some new knowledge in interview techniques was honed during the coursework period of the PhD, it was during the proposal phase of the dissertation that a greater understanding of interviewing, knowledge in research design and methodologies, and data analysis emerged.

Description of the Sample

Data collection in this qualitative, exploratory study involved interviewing 17 tax preparers with diverse qualifications and credentialing who had violated tax laws. The 17 tax preparers violated tax laws according to the New York City Department of Consumers Affairs Tax Preparers Violators List for the period 2008 through 2011. Some interviews were conducted at the tax preparers' place of practice; other interviews were conducted in a private space within a community services center in New York City. Ten of the 17 tax preparers interviewed were males, while seven were females. The 17 tax preparers in this study range in age from 32 to 59 years. The 17 tax preparers have tax preparation experiences ranging from five through 24 years. Six of the 17 tax preparers have between

one through nine years tax preparation experience, 10 of the 17 tax preparers have 10 to 19 years tax preparation experience, while one tax preparer had 24 years tax preparation experience.

All 17 tax preparers interviewed have completed the 66 hour Basic Income Tax Course offered through tax preparation commercial chains such as H & R Block, Liberty Tax Service and Jackson Hewitt Tax Service. Six tax preparers have the High School Diploma as their highest education. Eleven of the tax preparers have Bachelor's Degrees in the following subject areas: accounting, management, business administration, liberal arts and chemistry. Two tax preparers have Master's Degrees in Education.

Thirteen of the tax preparers interviewed are Unenrolled Agents, two CPAs, and two EAs. The imbalance within the groups resulted from the disproportionate number of Unenrolled Agents on the New York City Department of Consumers Affairs Tax Preparers Violators List. Approximately one percent of the violators have the EA and CPA credentials. The CPAs and EAs interviewed are affiliated to the AICPA, the National Association of Enrolled Agents (NAEA) and the National Association of Tax Professionals (NATP). One Unenrolled Agent is affiliated to the Institute of Management Accountants (IMA) and the National Society of Tax Professionals (NSTP).

Research Methodology Applied to Data Analysis

Thomas and Harden (2008) suggested that thematic analysis be employed to analyze qualitative data in three stages: the coding of text, developing descriptive themes, and generating analytical themes. In this study, the three elements of the theoretical

framework: training, competence, and standards were used to assign codes for each category of data. The Interview Questions evolved from these codes and formed the basis for the data generated during interviews. Training is aligned with the generation of data from questions 1-3, competence is aligned with questions 4-6, and standards is aligned with questions 7-10 on the Interview Protocol depicted at Appendix C. The thematic model used in this study's data analysis is theoretical analysis. Braun and Clarke (2006) suggested that the thematic model is useful for identifying, analyzing and reporting themes within the data in relation to the Research Questions and the theoretical framework. Theoretical analysis was used because of the predetermined categories derived from the major elements in the theoretical framework.

Presentation of Data and Results of Analysis

Carlin, Doyle and Professor (2000) suggested that data be presented in descriptive displays. The data in this study is displayed according to the major elements in the theoretical framework training, competence, and standards. Interview Questions 1-3 are linked to Research SubQuestion 1 and the element of training in the theoretical framework. Interview Questions 4-6 are linked to Research SubQuestion 2 and the element of competence in the theoretical framework. Interview Questions 7- 10 are linked to Research SubQuestion 3 and the element of standards in the theoretical framework. The Research SubQuestions are depicted at Appendix C. The data is presented separately for each Research SubQuestion and the major elements of the theoretical framework.

Research SubQuestion 1: How do tax preparers' qualifications and credentialing impact their role in the administration of and compliance with the IRC? The element of the theoretical framework linked to this Research SubQuestion is training. In order to discover what the participants felt about their qualifications and credentialing impacting their roles in the administration of and compliance with the IRC, they were asked what do you like about your work as an agent of the IRS, how they kept abreast with recent changes in tax laws, and what are some of the challenges they faced in helping tax payers comply with federal, state, and local regulations. Interview Questions 1-3 are depicted at Appendix C. The common themes emerging from Interview Questions 1-3 are displayed below.

Q1 Theme 1- Helping tax payers comply with tax laws

Q1 Theme 2 – Helping tax payers get maximum refund

Q1 Theme 3 – Offer tax planning advice to tax payers

Q1 Theme 4 - Helps to create opportunities for networking

In response to Interview Question 1, most participants like their work as agents of the IRS because they “like helping people a lot,” “like to give technical advice,” and like advising people on all the fields which may tie into their tax planning.” Some participants like their work as agents of the IRS because it “gives you a wider network and opportunities to pursue other types of businesses.” Other participants liked their work as agents of the IRS because “they like helping people to get the maximum they can get out of their refund,” while some participants like to give “clients a feeling of having done their taxes and complied with the law,” and “help taxpayers comply with the principles in the IRS code.”

Q2 Theme 1- Through association with professional bodies

Q2 Theme 2- Through Continuing Professional Education (CPE).

Q2 Theme 3 – By attending IRS Tax Forums

Q2 Theme 4- Through IRS Tax Alerts and IRS Website.

In response to Interview Question 2, some participants keep abreast with changes in tax laws through affiliation “with the National Society of Tax Professional and its monthly tax alerts,” and the “National Association of Enrolled Agents and also the CPA Society, they provide you that service.” Other participants attend IRS programs to make “you aware of the new law that is coming out,” and “you get lot of updates and direct contact with people who administer taxes every year.” One participant, a CPA said that “I also do 24 credits a year on taxes,” while other participants use the “IRS website to check out changes they have and new information.”

Q3 Theme 1- Getting tax payers to comply with Earned Income Credits (EIC) requirements

Q3 Theme 2- Pressure to play the “audit lottery.”

Q3 Theme 3- Lack of proper documentation to support claim for credit or deduction.

Q3 Theme 4- Explaining complicated tax laws to tax payers.

In response to Interview Question 3 some participants felt that the “EIC has become a very, very onerous part of the business because everybody wants the money and they’ll do anything to get it.” Another participant is concerned about “some taxpayers who

are unscrupulous and would want you to do wrong things for them to get large refunds.” Other participants in the study felt that the “greatest challenge in helping taxpayers comply with the law has to do with the EIC,” while some participants think that “tax laws are too complicated and there are too many and should be simplified for the ordinary person.” Some participants felt that another challenge has to do with “they (taxpayers) don’t want to come with substantial documentation to prove that they deserve a credit or that sort of thing.” One participant summed up the challenges tax preparers face this way: “so explaining to persons what they should and should not do, that has been my hardest because some people are hell bent on doing what they want to do anyway.”

Research SubQuestion 2: How do tax preparers perceive the impact of their qualifications and credentialing on the practices that can reduce tax preparation errors? The element in the theoretical framework linked to this Research SubQuestion is competence. To determine how the participants perceive the impact of their qualifications and credentialing helping to reduce tax preparation errors, they were asked what are some things they do in their practice to minimize errors, what they see as helping them the most to make fewer errors, and what are some things they do to maintain reputable practices. Interview Questions 4-6 are depicted at Appendix C. The common themes emerging from Interview Questions 4-6 are displayed below.

Q4 Theme 1 - Use the “error-check” feature in software.

Q4 Theme 2- Establishing a good rapport with taxpayer/honesty.

Q4 Theme 3- Consulting with colleagues.

Q4 Theme 4- Double checking everything.

In response to Interview Question 4, some participants will “ask for an excuse and go ask another preparer for advice.” Some participants “double check everything,” while others “ask questions” of the taxpayers. Another participant said “we have to review as thoroughly as we can all the information the clients present to help reduce errors.” Other participants felt that the “software does the calculation for you and minimize errors.” One participant suggested that “ensure that you have a good relationship with clients because most of the errors made are because of lack of information.” Another participant advocates “an open dialogue with the taxpayers so that all information possible is forthcoming and there are no surprises after the return is prepared,” while another participant suggested that “honesty” is important because “dishonesty is the most reason for errors.”

Q5 Theme 1- Networking with other tax preparers.

Q5 Theme 2- Technical knowledge

Q5 Theme 3- Conducting a two-step review during tax preparation.

While some participants responding to Interview Question 5 felt that “your technical knowledge will assist you to make fewer errors,” others felt that “networking based on other agents through emails and getting feedback,” also helps tax preparers make fewer errors. One participant, an EA summed up what helps the most to make fewer errors: “I have what is called a two step review. I have one of the independent guys review it before and then I have a final review, a heavy duty review.” Another participant, an Unenrolled Agent summed it up this way: “I will prepare my return and I will revisit each return prior to transmission.”

Q6 Theme 1- Offering year round service.

Q6 Theme 2- Having qualified staff.

Q6 Theme 3 - Emphasize compliance with tax laws.

Q6 Theme 4- Quality of work.

In response to Interview Question 6, some participants felt that taxpayers “must have formal training,” while others felt that tax preparers must “do good work.” Other participants “educate you as to what is the law and what is right.” One participant emphasized “going with the laws and regulations,” while another participant summed up how to maintain a reputable practice: “I have a year round service and the practice doesn’t end on April 15.”

Research SubQuestion 3: How do tax preparers’ professional relationships with tax agencies impact their pursuit of qualifications and credentialing in income tax preparation? The element in the theoretical framework linked to this Research SubQuestion is standards. To answer this research question, the participants in the study were asked to describe their affiliations with the New York City Department of Consumer Affairs, the New York State Department of Taxation and Finance, the New York City Department of Finance, and what they do to maintain good relationships with these agencies. Interview Questions 7-10 are depicted at Appendix C. The common themes emerging from Interview Questions 7-10 are displayed below.

Q7 Theme 1- Provide notices/posters for tax office.

Q7 Theme 2 - Reinforces compliance.

In response to Interview Question 7, some participants felt that the agency help you to “follow accordingly and abide by the rules and regulations,” while other participants felt that they are constantly “in relationship by calling them to get updates and the forms and slogans to put on the wall.” Another participant said that “annually we are supposed to make contact with them to get all the posters and all other documents that are required to be presented in the practice.”

Q8 Theme 1- Annual Registration.

Only two participants mentioned having a relationship with the New York State Department of Taxation and Finance. One participant felt that “you are required to be registered with them annually.” The other participant said “over the last three years we’ve had to register online with it.”

There were no themes derived from Interview Question 9 because all the participants in the study indicated that they have no relationship with the New York City Department of Finance.

Q10 Theme 1- Seek clarification on tax issues.

Q10 Theme 2 - Ensure tax preparers have Preparers Tax Identification Number (PTIN).

Q10 Theme 3 - Ensure Unenrolled Agents do the Registered Tax Return Preparer (RTRP) Test.

In response to Interview Question 10, participants said that “ calling them on behalf of a client to clarify a tax issue,” ensuring that tax preparers “ have applied for the PTIN”

and are “ currently studying for the test,” are the only relationships they have with the tax agencies.

Interview Question 11 was an open question designed to have participants reflect on the earlier interviews questions and to provide information on any challenges they faced as tax preparers. Interview Question 11 is depicted at Appendix C. The common themes emerging from Interview Questions 11 are displayed below.

Q11 Theme 1- Mandated training for all tax preparers

Q11 Theme 3- increasing number of unscrupulous tax preparers.

Q11 Theme 4- unscrupulous taxpayers

In response to Interview Question 11, one participant said “let them go to school and train because it makes it easier on everybody.” Another participant is concerned about the “fluctuations of these crooks making it hard for me.” Yet another participant is concerned about “some taxpayers who are unscrupulous and would want you to do wrong things for them to get large refunds.”

Analysis of the Results

The Research Questions stated earlier in the study and in this chapter formed the basis of the Interview Questions used to collect data from the participants. The Research Questions/Interview Questions Matrix is illustrated at Appendix A. The questions were useful in assisting the researcher to gain greater insights into the experiences of 17 tax preparers with diverse levels of qualifications and credentialing who had violated tax laws

on how their training and education can impact tax preparation practices and reduce tax preparation errors. Several themes emerged during the analysis and were presented earlier in this chapter at the section on data presentation. Participants in the interviews responded similarly to many of the Interview Questions.

Interview Question 1 was related to the tax preparer role as an agent of IRS. All 17 participants in the study indicated that their main roles as agents of the IRS are to help taxpayers comply with tax laws while ensuring that taxpayers get the maximum income tax refund available to them legally. Nine of the 17 participants indicated that their secondary role as agents of the IRS is offer tax planning advice to tax payers. The participants felt that tax planning is an essential component in the conduct of their tax practices and leads to minimizing pitfalls to taxpayers associated lack of tax knowledge. Seven of the 17 participants indicated that tax preparation affords them the opportunity to network with taxpayers. These tax preparers are real estate brokers, insurance brokers, and car salesmen who use their tax practices to attract clients to their other products and services.

Interview Question 2 asked participants to discuss how they keep abreast with changes in tax laws. All 17 participants indicated that attending annual IRS sponsored tax forums, receiving tax alerts from the IRS, and visiting the IRS website help them to keep abreast with recent changes in tax law. Thirteen of the 14 participants indicated that participating annually in CPE helps them to be keep abreast with changes in tax laws. Nine of the thirteen participants who indicated that participating annually in CPE helps them to be kept abreast with changes in tax laws are Unenrolled Agents who attend 24-hour courses offered by tax preparation commercial chains. Four of the thirteen participants who

indicated that participating annually in CPE help them to be keep abreast with changes in tax laws are CPAs and EAs who attend mandatory CPE courses offered through the American Institute of AICPA and the NAEA. Six of the 17 participants indicated that through affiliation with professional bodies such as NSTP, the NATP, the IMA, the NAEA, and the AICPA they are kept abreast with tax law changes through publications and forums.

Interview Question 3 asked participants to discuss the challenges they encounter with helping taxpayers to comply with the tax laws. Fourteen of the 17 participants indicated that getting taxpayers to comply with the requirements of the Earned Income Credit (EIC) was the major challenge in helping taxpayers to comply with tax laws. The challenge with the EIC is premised on the behavior of taxpayers who are inclined to use dependents on their income tax returns that do not meet the requirements of the IRC. Seven of the seventeen participants indicated that lack of proper documentation to support claims for credits or deductions such as the EIC, Dependent Care Credit and Tuition Deduction are major challenges to helping taxpayers comply with the tax laws. Five of the seventeen participants indicated feeling pressured by taxpayers to engage in unethical practices because of the IRS ‘audit lottery.’ The “audit lottery” is premised on the beliefs of taxpayers that because only one percent of all tax returns are audited annually, tax preparers can tax the risk of deliberately overstating expenses associated with credits and deductions. Only two of the 17 participants who are Unenrolled Agents felt challenged trying to explain the tax laws which they deemed as “too complicated.”

Interview Questions 4 and 5 asked participants to discuss the things they do in their current practice to help minimize tax preparation errors. Fourteen of the 17 participants conduct a two-step review on tax returns prior to filing with the IRS. Data input and reviews are done by separate tax preparers to ensure a system of checks and balances. Ten of the participants use the ‘error check’ feature in the software to perform diagnostic test prior to filing. Eight participants indicated that consulting with other tax preparers for clarification on tax issues, and improving their technical knowledge through training help to minimize tax preparation errors. Seven of the 17 participants felt that establishing a good rapport with taxpayers allow the tax preparer and taxpayer to have honest dialogue which ensures all documents are made available to the tax preparer who will explain the tax implications or not for each document.

Interview Question 6 asked participants to discuss some of the things they do as tax preparers to maintain reputable practices. Eight of the 17 participants indicated that emphasizing compliance with the tax laws will help their practices to maintain standards and a good reputation. Seven of the 17 participants indicated that having qualified staff helps to maintain a reputable practice. Six of the 17 participants indicated that offering year-round service provides reciprocal opportunities for tax preparer and taxpayer to dialogue and address issues such as audits from tax agencies. Only two of the 17 participants indicated that quality tax preparation service will help them to maintain reputable practices.

Interview Questions 7 through 10 asked participants to discuss their affiliation to the New York City Department of Consumer Affairs, the New York State Department of

Taxation and Finance, and the New York City Department of Finance and what they do to maintain good relationships with these agencies. All of the participants in the study indicated having no affiliation with the New York City Department of Finance. The participants felt that affiliation with the New York State Department of Taxation and Finance is sufficient for income tax purposes because New York City Department of Finance collaborates with the former agency on all tax matters. Seven of the seventeen participants indicated that their affiliation is limited to seeking advice and clarification on tax issues in cases where taxpayers are audited.

Four of the 17 participants indicated that their affiliation with these agencies center on ensuring that tax preparers, that is, their staff members are registered annually for their PTIN so the practice is in compliance with the law. Similarly, four of the 17 participants indicated that their affiliation centered on ensuring Unenrolled Agents do the Registered Tax Return Preparer (RTRP) Test as a prerequisite for continued employment within their practice. The RTRP Test becomes compulsory in 2013. Three of the 17 participants indicated that affiliation to the DCA was limited to ensuring that information notices and posters for the offices are requested from the agency. Three of the 17 participants indicated that affiliation reinforces compliance with tax laws and guidelines and the annual registration requirements for tax practices to remain in operation.

Interview Question 11 was designed to allow the participants to reflect on the questions asked of the researcher earlier and whether there is additional information to share that can add to the subject. Most of the information shared during this phase of the interviews was consistent with what was already discussed. Two new themes emerged that

is relevant to answering to Research Questions. One participant supported mandated training for all tax preparers especially Unenrolled Agents. Another participant was concerned with the increasing number of unscrupulous tax preparers in practice.

Summary

The responses to the Interview Questions provided useful information for stakeholders in the income tax community. The information can be used to enhance the quality of tax preparation service to taxpayers, reduce the number of errors in tax preparation, and increase the skill and competence of tax preparers. A discussion on the presentation of the data and the results of the analysis is summarized in this section. The research question and subquestions are listed at Appendix A.

Research SubQuestion 1: How do tax preparers' qualifications and credentialing impact their role in the administration of and compliance with the Internal Revenue Code? By utilizing open-ended Interview Questions, the researcher was able to elicit responses from the participants in this study about helping taxpayers comply with tax laws, getting maximum refunds, and offering tax planning advice. Tax preparers keep abreast with changes in tax laws through CPE, attending tax forums, IRS alerts and website, and affiliation with professional bodies. There were several challenges to tax preparers as they carried out the role of an agent of the IRC. These challenges include getting tax payers to comply with the EIC requirements, pressure to play the "audit lottery," lack of proper documentation from taxpayers to support claims for credits and deductions, and explaining complicated tax laws.

Research SubQuestion 2: How do tax preparers perceive the impact of their qualifications and credentialing on the practices that can reduce tax preparation errors? It became clear during the interview sessions that conducting a two-step review during tax preparation, using the “error-check” feature in the tax preparation software, consulting with other tax preparers, referring to IRS Publications for guidance, establishing a good rapport with taxpayer, and improving technical knowledge of tax preparation are practices that can reduce tax preparation errors. Reputable tax practices offer year round services, have qualified staff, emphasize compliance with tax laws, and provide quality tax preparation services.

Research SubQuestion 3: How do tax preparers’ professional relationships with tax agencies impact their pursuit of qualifications and credentialing in income tax preparation? Based on the responses from the participants it is apparent that tax preparers have limited affiliation with the agencies that administer tax matters in New York City. None of the participants have any affiliation with the New York City Department of Finance. The only affiliation with the New York City Department of Consumer Affairs is to request tax preparation notices and posters for the tax office. Affiliation centers on annual registration for tax preparers to remain in compliance for continued employment in tax practices. Tax preparers must register for the Preparers Tax Identification Number (PTIN), and Registered Tax Return Preparer (RTRP) to be able to work in tax offices. Some participants viewed affiliation as an avenue to help with reinforcing compliance with tax laws and regulations, while others use seek clarification on tax issues when taxpayers are audited.

Research Question: How do tax preparers reflecting a diverse professional background perceive the effectiveness of their level of training and education in income tax preparation in reducing income tax preparation errors-human or deliberate? In answering the central question in this study, these pertinent facts must be highlighted. Most of the participants have the minimum qualifications to prepare tax returns. They are all exposed to continuing education related to tax practice. Only four participants are certified and or licensed to practice before the IRS. The concern in this study is whether the training and education received by the participants is likely to reduce tax preparation errors and improve performance.

The 17 tax preparers interviewed in this study have all violated tax laws. Thirteen of the participants in the study are Unenrolled Agents who are not authorized to practice before the IRS. Six of the participants have the high school diploma as their highest level of education. Although the participants discussed the importance of keeping abreast with IRS updates by attending tax forums and completing CPEs, the results of study revealed participants have limited affiliation with the tax agencies that are responsible for ensuring tax preparers comply with laws and regulations. Additionally, the participants indicate the challenges they face in preparing tax returns with respect to the EIC, “audit lottery,” and taxpayers providing accurate, documented information. Although some participants indicated that reputable practices offer year round services, have qualified staff, and emphasize compliance with tax laws and regulations, most of the of the participants in the study do not measure up to these requirements.

The dilemma surfacing in the study is how the participants who are not authorized to practice before the IRS, have limited affiliation with tax agencies, and have the high school diploma as their highest level of education can have reputable practices that offer quality service. Second, lack of training is likely to impact tax preparers' ability to interpret tax laws. Some participants indicate that the tax laws are too complicated. While the use of tax preparation software can reduce computational errors, misinterpretation of the laws can result in human errors. Third, most of the participants in the study are not licensed, certified or affiliated to professional bodies. These participants have little incentive to adhere to professional standards of practice because they will not be subject to sanctions, penalties and the possibility of losing their credentials. Non affiliation with professional bodies and agencies can raise concerns of ethics in practice and whether tax preparers not authorized to practice before the IRS are prone to commit deliberate errors.

Conclusion

This Chapter discussed the qualitative, exploratory interviews with 17 tax preparers with diverse qualifications who violated tax laws on how their training and education can overall improve their competence and skills and reduce tax preparation errors. The researchers' prior experience in income tax preparation necessitated bracketing of all presuppositions about tax preparation so that during the interview process the responses of the participants would not be biased. Using Microsoft Word and manual input, the researcher derived codes and themes that provided meanings of the experiences of the participants. The data was displayed and the results analyzed in light of the research and

Interview Questions. In Chapter 5 the findings of the study will be further illuminated, the implications of the findings on the current body of knowledge in tax preparation will be evaluated, limitations highlighted, and recommendations for future research will be discussed.

CHAPTER 5. DISCUSSION, IMPLICATIONS, RECOMMENDATIONS

Introduction

Tax preparers play an important role in the administration of and compliance with the IRC. They are expected to adhere to standards of practice to ensure that taxpayers are not harmed in the tax preparation process but receive the highest quality of service. The training and education tax preparers receive form the basis for their skills and competence in tax preparation. This study highlighted the perceptions of 17 tax preparers with diverse qualifications and credentials who had violated tax laws on how their training and education can overall increase their skills and competence and reduce the number of tax preparation errors. The study revealed several concepts and strategies in tax preparation that can benefit the tax preparation community. This Chapter illuminates these concepts and strategies and provides information for stakeholders in tax preparation.

The remainder of Chapter 5 is organized as follows. The following section provides an overview of the study and highlights including the research problem, significance of the study, theoretical framework, methodology approach, literature reviewed in this study, and a summary of the study's findings. Next, the results of the study are interpreted in light of the Research Questions and reasons for the outcomes are discussed. The implications of the study results are then analyzed taking into account previous understandings, research, and theory in the literature reviewed in the study. The limitations and delimitations of the study and how it impacted the study results are discussed followed by recommendations for further study based on the data and the study's design. The Chapter concludes with a

description of the dissertation, including answers to the Research Questions and suggestions furthering a better understanding of the problems highlighted in the study.

Summary of the Results

There are several references to tax preparation error rates in seminal and current literature. In 1998, the GAO reported that Brooklyn, New York, was ranked fifth and sixth nationwide for IRS Criminal Investigation Referral and IRS Criminal Investigation Initiation of individual income tax filers respectively. The rates were 4.91 and 6.64 respectively per 100,000, which was above the national average of 3.39 and 4.90. For the years 2008 and 2011, the New York City Department of Consumer Affairs audited tax preparers in New York City and found that 25% of all tax preparers audited were out of compliance and had violated tax laws and regulations. The problem of error rates is multifaceted. First, it is not clear what actually triggers error rates. Second, there is not a list of practices against which an evaluation could be done on what triggers error rates. Third, current literature on tax preparation makes no mention of strategies to reduce error rates. Hence this qualitative, exploratory study using interviews was significant because it revealed strategies to reduce tax preparation errors and improve the quality of tax preparation services to benefit the tax preparation community.

To establish a basis for tax preparers perceptions of their training and education and how it can overall increase their skill and competence and reduce income tax preparation errors, a literature review was conducted. The review focused on ethical standards and behavior including standards of practice, ethical dilemmas of tax preparers, and tax

preparation errors. The review also paid attention to legal compliance in tax preparation, and tax preparers' qualifications and credentialing. The groups of tax preparers discussed in the literature include CPAs, EAs, and Unenrolled Agents. Since the review was conducted, the IRS has made preparations for the installation of a new group of tax preparers, the RTRP. By December of 2013, all Unenrolled Agents must be registered as RTRPs to continue practicing before the IRS. Currently, Unenrolled Agents are attending training programs to prepare for the RTRP test.

The study revealed that the 17 tax preparers who had violated tax laws greatest concern is with helping taxpayers comply with the tax laws while getting maximum refunds. To reduce errors, tax preparers rely of several strategies including a two step review process to ensure that minimal errors are made during the preparation process. Checks and balances are further enhanced through the "error check" feature in the software to minimize errors. The 17 tax preparers who had violated tax laws were overly concerned with the challenges they face in helping taxpayers comply with the requirements of the EIC. To maintain reputable tax practices, the 17 tax who violated laws felt that complying with the IRC will help them the most. Most participants see an affiliation to tax agencies as helping them to comply with federal, state, and local regulations. Overall, the 17 tax preparers who had violated tax laws felt that their training is pivotal to enhancing their skills and competence and reducing tax preparation errors.

Discussion of the Results

There are factors in the study's design that can impact the use of the findings of the study. First, the sample size and the location where the data was collected may not allow for generalization and inferences about income tax preparation in other geographical locations in the United States . Second, many of the participants interviewed were apprehensive during face to face interviews because they were uneasy with being tape recorded. It must be noted that these participants have all violated tax laws and were audited by tax agencies. Third, there were problems of accessing tax preparers for interviews because the regular income tax season ended in April and data collection was done in June and July. Many participants were not eager to participate in an interview because in their opinion the timing was not good and they were dealing with other aspects of their lives at this time.

Implications of the Study Results

This qualitative, exploratory study was conducted with the goal of gaining insights into the perceptions of 17 tax preparers with diverse qualifications and credentialing who had violated tax laws on whether their training and education can improve their skills and competence and overall reduce income tax preparation errors. The study focused on tax preparers in New York City. Through face to face interviews with 17 tax preparers who violated tax laws, the researcher gained a greater understanding of tax preparers' role as agents or the IRS. In addition, the interviews conducted identified several strategies to

reduce income tax preparation errors. Finally, the study gathered responses on tax preparers' affiliation to tax agencies.

The study revealed that tax preparers who had violated laws should focus on helping taxpayers comply with the law and provide tax planning advice. The literature reviewed supports tax preparers providing tax planning advice. Providing tax planning advice is one of the greatest motivations for tax preparers in their role as agents of the IRS because some taxpayers see tax planning as a strategy to legally minimize their tax liabilities (Murphy, 2005). To provide credible tax planning advice, tax preparers who violated tax laws must keep abreast with changes in tax regulations and practices through CPE, attending IRS tax forums, and affiliation to professional bodies. The literature reviewed reinforces the use of CPE as a tool to increase the skills and competence of tax preparers. O'Leary et al. (2011) pointed out that CPE should be designed to meet the needs of tax preparers. The skills acquired from CPE should be relevant and must be transferable to current tax practice.

If tax preparers who had violated tax laws are not continually educated on current tax practice and procedures, and do not keep abreast with changes in tax regulations and practices, the advice given to taxpayers, and positions taken on tax matters will not be adequate to prevent tax preparations errors. Tax preparers who had violated tax laws must ensure that tax advice given and positions taken reflect their level of skill and competence, and technical knowledge of tax matters so that quality tax preparation service is offered to taxpayers.

The study also revealed that tax preparers who had violated tax laws are concerned with taxpayers' unwillingness to provide adequate documentation to support claims for credits or deductions. Elgin (2008), Brager (2010), and Bolt- Lee and Moody (2009) explained that tax preparers must ensure the information provided by tax payers is reasonably verifiable and all documents supporting claims for credits and deductions must not be misleading. Although the literature reviewed suggested that lack of documentation can result in errors of omission on income tax returns, the study results highlighted the challenges faced by the tax preparers who had violated tax laws to convince some taxpayers to provide documentation to support claims for credits or deductions. When errors of omission are made and taxpayers are audited, tax preparers must resort to retrieving written evidence to justify the advice given and positions taken on tax returns. Oral evidence is difficult to retrieve and tax preparers may find it difficult to substantiate advice given and positions taken when representing clients before the IRS. Although the literature reviewed did not support the use of a two-step review as a strategy to reduce tax preparation errors, the tax preparers who had violated tax laws suggested a two-step review as a strategy to minimize error rates. The two-step review allows the expert within the practice to perform the final check on tax returns before transmission to the IRS.

The study results also revealed that some tax preparers feel pressured by taxpayers to engage in unethical practices because of the IRS "audit lottery." The literature reviewed in the study also supports the study's results. Bolt-Lee and Moody (2009) and the Internal Revenue Service (2009) pointed out that taxpayers often insist on tax preparers taking aggressive or inappropriate tax positions. The participants in the study did not discuss

whether they yielded or not to pressures of some taxpayers to take aggressive positions. However, the literature reviewed suggested that some tax preparers yield to the pressures of taxpayers to take aggressive positions and fail to perform sufficient due diligence during tax preparation or take positions that were not supportable with documentary evidence. Raskolnikov (2006) suggested that tax preparers can avert such pressure by attending training in ethics, since ethics training is likely to reduce tax preparation errors. By establishing ethical guidelines to ensure that judgment, responsibilities, and obligations are geared towards offering value added benefits to taxpayers, tax preparers can avert such pressure.

Finally, the study results indicate that approximately one percent of the tax preparers who had violated tax laws are CPAs and EAs. The small number of CPAs and EAs in the sample frame resulted in an imbalance in the number of tax preparers interviewed in the study. Thirteen of the 17 participants are Unenrolled Agents. Six of the 13 Unenrolled Agents have the High School Diploma as their highest level of education. The literature reviewed supports the imbalance among the tax preparers groups. Hill (2009) and Bauman and Mantzke (2004) explained that most tax preparers are Unenrolled Agents who lack adequate training and experience and can harm taxpayers during the tax preparation process by making mistakes. Unenrolled Agents cannot offer year-round service, represent taxpayers on matters before the IRS, and in cases where errors were made, taxpayers have the responsibility to resolve the issue. The limited scope of Unenrolled Agents to practice before the IRS raises questions about their knowledge of the tax laws, and overall competence as tax preparers (Altman, 2007).

Limitations

The results of this study provide insights into tax preparers' education and training, and how it can overall help them to minimize tax preparation errors and offer better quality of tax preparation service. However, the delimitation in this study is that it represents the perceptions of 17 tax preparers in New York City who had violated tax laws. The limited geographic area in which the study was conducted and the small sample size may not allow for generalizations and inferences to be made on tax preparation in other geographical locations in the United States. The geographical area for study was chosen because of the researcher's proximity to the sample frame. The researcher resides relatively close to and has access to the study's sample.

Another limitation to the study is the sample frame from which the participants in the study were drawn. Participants were drawn from the New York City Department of Consumers Affairs List of Tax Preparers Violators for the period 2008 through 2011. All the participants in the study would have violated tax laws and regulations. Many potential participants shy away from participating in the study when they were informed that one of the conditions for participation is because their names appeared on a list of violators. During the interviews, many of the participants were apprehensive when they realized that the interview were tape recorded. It resulted in many short responses to the Interview Questions. In fact, many participants thought they would have been given a questionnaire to fill.

Finally, accessing tax preparers outside of the regular tax season was challenging to the researcher. The tax preparation industry in seasonal and efforts to contact tax preparers when most of the tax offices are closed was time consuming and sometimes futile. Many of the interviews were hurried because tax preparers had limited time. Most of the interviews lasted approximately 20 minutes which is far short of the intended 90 minutes. The rushed interviews resulted in the researchers' inability to collect enough quality data for a more in depth analysis of the research problem.

Recommendations for Further Research

To make this study more rigorous and to ensure that the study findings are more generalizable in other geographical regions in the United States, the researcher suggests that similar studies be conducted in locations where error rates are high and there are high incidences of tax preparers who violated tax laws. Second, the researcher recommends that a mixed method approach with a larger sample be used if the sample is drawn from a list of tax preparers who violated tax laws. Third, the limitations in this study with respect to the apprehension of the 17 tax preparers who have violated tax laws warrant the use of questionnaires to gather more data and minimize the uneasiness displayed by the participants during the interviews. Fourth, future research in tax preparation should be designed so that data collection is done during the tax preparation season when there is greater access to tax preparers. Finally, the researcher recommends that research be done after the RTRP group of tax preparers is implemented in 2013. The study should focus on

the effectiveness of the training received by the largest group of tax preparers to determine if error rates decrease as a result of their training and education.

Conclusion

The purpose of this qualitative, exploratory study was to gain insights into the perceptions of a group of 17 tax preparers with diverse qualifications and credentialing who had violated tax laws on how their education and training can overall improve their skills and competence and reduce income tax preparation errors. The problem of tax preparation error rates in New York City provided the basis for the study. The Research Questions focused on tax preparers' role as agents of the IRS, strategies to reduce error rates, and how tax preparers' affiliation to tax agencies can result in improved quality of tax preparation service. The theoretical framework for the study focused on the contemporary ethical theories of virtue, discourse, and care ethics. These theories address the issues of training, standards, and competence that are essential to answering the Research Questions.

Tax preparers are more concerned with issues of compliance and offering tax advice to taxpayers. Tax preparers tend to focus on meeting minimum standards of expertise (Spinney, 2010). Hence, most tax preparers attended tax forums, pursued CPE credits, and relied on tax alerts and visits to the IRS website to keep abreast with changes in tax laws. Others rely on their affiliation with professional bodies to provide new information on tax regulations and practices, and relevant additional training (Cleaveland, Epps, & Bradley, 2010). There are several challenges to tax preparers as they carry out the role of an agent of

the IRS. Bolt-Lee and Moody (2009) pointed out that some taxpayers pressure tax preparers to play the “audit lottery” (p.16). Tax preparers in this study indicated that one of their major challenges is the pressure from taxpayers to engage in unethical practices because there is a slim chance of detection and audit.

Soled and Goodman (2010) pointed out that most tax preparation errors are human and occurs through misinterpretation of the law, misconstruing the taxpayer facts, or mechanical data entry mistakes. Tax preparers in the study are aware of the likelihood of committing human errors and have developed several strategies to reduce tax preparation errors. These strategies include conducting a two-step review during the tax preparation process, using the “error-check” features in the tax preparation software, and seeking advice from other tax preparers. Zakhem (2008) suggested that tax preparers should facilitate dialogue with taxpayers to gather information pertinent to the tax preparation process. When tax preparers can invite taxpayers to have frank and mutual dialogue about the tax preparation process, it sets the tone for a truthful, sincere, and justified relationship that results in better quality service.

The responses received suggest that the 17 tax preparers who had violated tax laws have limited affiliation with these agencies. Affiliation is limited to routine annual request for tax guidelines, literature, notices and posters. The greater instances of affiliation centered on annual registration for tax preparers to remain in compliance for continued employment in tax practices. Failure to register with tax agencies can result in penalties (Bonner, 2011). Elgin (2008) suggested that tax practices should cooperate with tax agencies to ensure that standards of conduct for tax preparers are in place. Affiliation

reinforces compliance with tax laws and regulations, and provides avenues for taxpayers to seek clarification on tax issues.

The study focused on the effectiveness of the training and education tax preparers received and whether it can improve their skill and competence and reduce tax preparation errors both human and deliberate. Most of the participants in the study were Unenrolled Agents who are neither licensed nor certified and are not authorized to practice before the IRS. The participants in the study provided insights into strategies to reduce tax preparation errors. They highlighted the need for completing CPEs and attending tax forums as the minimum standard of expertise to perform the task of tax preparation. Though many of the participants have limited affiliation to tax agencies, they are emphatic that training can enhance their skills and competence as tax preparers and help them to provide quality tax preparation service to taxpayers.

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APPENDIX A. RESEARCH QUESTION/INTERVIEW QUESTIONS MATRIX

Research Question			
How do tax preparers reflecting a diverse professional background perceive the effectiveness of their level of training and education in income tax preparation in reducing income tax preparation errors- human or deliberate?			
Interview Questions	Sub Question 1	Sub Question 2	Sub Question 3
	How do tax preparers' qualifications and credentialing impact their role in the administration of and compliance with the Internal Revenue Code?	How do tax preparers perceive the impact of their qualification and credentialing on the practices that can reduce tax preparation errors?	How do tax preparers' professional relationships with tax agencies impact their pursuit of qualifications and credentialing in income tax preparation?
1	What do you like about your work as an agent of the IRS?	What are some of the things you do in your practice to minimize tax preparation errors?	Do you have affiliation with the Department of Consumer Affairs?
2	How do you keep abreast with recent changes in tax laws?	What do you see as helping you the most to make fewer tax preparation errors?	Do you have affiliation with the New York State Department of Taxation and Finance?
3	What are some of the challenges you have encountered in helping tax payers comply with federal, state, and local regulations?	What are some of the things you do as a tax preparer to maintain a reputable practice?	Do you have affiliation with the New York City Department of Finance?
4			What do you do to maintain good relationships with these agencies?

APPENDIX B. INTERVIEW PROTOCOL FORM –INITIAL SCREENING

Topic: Reducing income tax preparation errors: An exploratory study of tax preparer's perceptions of training and its impact on income tax preparation.

Date and Time of Interview:

Place:

Interviewer:

Interviewee:

Pseudonym:

Read Informed Consent Form, signed, and dated? Yes --- No ---

Initial Screening 1

Good morning/Good afternoon/Good evening, Mr./Ms.[participant] my name is Terrence Simon, a student at Capella University conducting a study on income tax preparation. I have been a tax preparer with ten years experience in the Borough of Brooklyn in New York City. The purpose of the study is to gain insights into the perceptions of tax preparers with diverse levels of qualifications and credentialing as to whether their training can increase their skills and competence and overall reduce violations and tax preparation errors. You were contacted because it is felt that you meet the criteria of the study. If you are interested and would be a volunteer for the study, an informed consent form will be emailed or faxed to you. This form details the purpose of this study, a description of the involvement required and your rights as a participant. If you agree to proceed, I will need your personal email or a fax number to which the form could be sent. As soon as the form is signed and returned to me, I will be contacting you by telephone at a convenient time to briefly talk about your tax preparation experience [allow time for response]. Thanks for your time.

Initial Screening 2

Good morning/Good afternoon/Good evening, Mr./Ms.[name of potential participant] I am Terrence Simon whom you spoke to recently concerning your participation in the study on tax preparation. I have before me your consent form. To protect your identity, I have assigned you a pseudonym [Mark] for the duration of the interview. I will now ask you a few questions to determine if you are suitable for this study.

1. How long have you been preparing tax returns? Were there any breaks during this period?
2. How will you describe your training received in income tax preparation?
3. Are you certified or licensed to represent taxpayers before the Internal Revenue Service?
4. Are you a member of a professional body?
5. What has been your experience with continuing professional education?

Thanks for your time Mr. /Ms. [name of participant]. If you are selected to participate in this study, I will be in contact with you by telephone or email to confirm the date, time, and place where we will talk more about your tax preparation experience.

Initial Screening 3

Good morning/good afternoon/good evening [pseudonym], you have been selected to participate in the study on tax preparation. You will receive a confirmation letter by email or facsimile detailing the date, time, and place of our meeting. If you are experiencing any problem that may affect our meeting, please feel free to contact me at the earliest opportunity.

APPENDIX C. INTERVIEW PROTOCOL FORM – INTERVIEWS

Topic: Reducing income tax preparation errors: An exploratory study of tax preparer's perceptions of training and its impact on income tax preparation.

Date and Time of Interview:

Place:

Interviewer:

Interviewee:

Pseudonym:

Read Informed Consent Form, signed, and dated? Yes --- No ---

Good morning/good afternoon/good evening [pseudonym], before we begin talking about your tax preparation experience, we will review the informed consent form so that you know what I am asking you to do, who is sponsoring this research, how we protect your privacy and confidentiality, and you feel fully informed about your participation. Please remember you are free to withdraw from participating in this study or can refuse to answer questions without penalty. Please remember the interviews are recorded on audio tapes. Let us review the informed consent form. Are there any questions you wish to ask before we proceed? If there are no questions, we will now start the interview.

Questions on tax preparer's motivation in tax administration

1. What do you like about your work as an agent of the IRS?
Probe: What are some of the benefits?
Probe: What are some of the drawbacks?
2. How do you keep abreast with recent changes in tax laws?
Probe: Have you attended training programs?
Probe: Have you attended tax forums?
3. What are some of the challenges you have encountered in helping tax payers comply with federal, state, and local regulations?
Probe: Have any of these challenges been about the tax credit for tuition?
Probe: Have any of these challenges been about the Earned Income Credit?
Probe: Have any of these challenges been about the First Time Homebuyer Credit?

Questions on tax preparation errors

4. What are some of the things you do in your practice to minimize tax preparation errors?
5. What do you see as helping you the most to make fewer tax preparation errors?
Probe: What are some of the things that can cause errors?
Probe: What have you learned from past errors?
6. What are some of the things you do as a tax preparer to maintain a reputable practice?
Probe: As you hire people for your practice, do you screen them for experience? Qualifications and Credentials? Quality of work?

Questions on tax preparer's relationship with tax agencies

7. Do you have affiliation with the Department of Consumer Affairs?
Probe: What are some of the benefits of that affiliation to your practice?
Probe: What are some of the drawbacks, if any of that affiliation to your practice?
8. Do you have affiliation with the New York State Department of Taxation and Finance?
Probe: What are some of the benefits of that affiliation to your practice?
Probe: What are some of the drawbacks, if any of that affiliation to your practice?
9. Do you have affiliation with the New York City Department of Finance?
Probe: What are some of the benefits of that affiliation to your practice?
Probe: What are some of the drawbacks, if any of that affiliation to your practice?
10. What do you do to maintain good relationships with these agencies?
Probe: How do you feel about training and education enhancing these relationships?

Closing Questions

11. What have I forgotten to ask that I should have asked about your challenges as a tax preparer?

Thanks for sharing your experience in tax preparation. I will be in touch with you shortly with a transcript of the interview for you to review.

APPENDIX D. INTERVIEW PROTOCOL FORM – MEMBER CHECKING

Topic: Reducing income tax preparation errors: An exploratory study of tax preparer's perceptions of training and its impact on income tax preparation.

Date and Time of Interview:

Place:

Interviewer:

Interviewee:

Pseudonym:

Read Informed Consent Form, signed, and dated? Yes --- No ---

Good morning/good afternoon/good evening Mr./Ms. [name of participant]. I have a transcript of your interview on tax preparation. You will receive a copy by email or facsimile shortly. Please feel free to make additions/deletions to the transcript and return it to me. A copy of the transcript with the requested changes will be resent to you. If you agree with the changes, please sign the transcript certifying that it reflects the content of the interview.