

## ***Advocacy Recommends that the IRS Should Remedy an Improper RFA Analysis on Electronic Tax Filing***

The Office of Advocacy (Advocacy) filed a comment letter with the Internal Revenue Service (IRS) to urge the IRS to remedy an improper Regulatory Flexibility Act (RFA) analysis contained in a Notice of Proposed Rulemaking (NPRM). The NPRM would impact small business tax return preparers by increasing the scope of “specified tax return preparers” required to file individual income tax returns electronically.

- On December 3, 2010, the IRS issued the NPRM which requires “specified tax return preparers” to file individual income tax returns electronically. The NPRM increases the scope of a “specified tax return preparer” from a tax return preparer who reasonably expects to file more than 250 or more individual income tax returns in a calendar year to one who reasonably expects to file 11 or more individual income tax returns in a calendar year. Therefore, the NPRM will greatly increase the number of “specified tax return preparers” required to file tax returns electronically.
- In the NPRM, the IRS certified that, for RFA purposes, “the collection of information contained in these proposed regulations would not have a significant economic impact on a substantial number of small entities.” The IRS, however, did not support the RFA certification with a factual basis.
- On December 20, 2010, Advocacy filed a comment letter in which Advocacy urged the IRS to remedy the NPRM’s improper RFA certification. To remedy the RFA certification, Advocacy recommended that the IRS publish for public comment either a supplemental RFA assessment containing a proper factual statement or an Initial Regulatory Flexibility Analysis (IRFA). Advocacy’s comments may be accessed at <http://www.sba.gov/advo/laws/comments/>.
- Advocacy believes that the NPRM has the potential to have a significant economic impact on a substantial number of small entities. Advocacy believes that remedying the NPRM’s improper certification will allow the IRS to develop and consider less burdensome alternatives for small businesses to the current proposed rule.
- Advocacy stands ready to assist the IRS in the completion of a supplemental RFA analysis, or in the completion of an IRFA.

For more information, visit Advocacy's Web page at <http://www.sba.gov/advo> or contact Assistant Chief Counsel Dillon Taylor by email at [dillon.taylor@sba.gov](mailto:dillon.taylor@sba.gov) or by phone at (202) 401-9787.