



**OFFICE OF THE  
SECRETARY OF STATE**

Nevada Task Force on Financial Security  
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NRS 240A - Document Preparation Service

NRS 240A - Document Preparation Services – was enacted in the 2013 Legislative Session and took effect March 1, 2014. The original definition of document preparation service in NRS 240A.030 included “preparing or completing any pleading, application or other document for the client” and “submitting a completed document on behalf of the client to a court or administrative agency.” The preparation of a tax filing for a client for a fee is captured in the definition of document preparation service. The 2013 law specifically excluded “an enrolled agent authorized to practice before the Internal Revenue Service” from the requirement to register and hold a bond.

Many of the activities, which were targeted in the original legislation, were offered by “multi-service” businesses, which offered notary and notario services, immigration assistance, paralegal services, and tax preparation that often resulted in misleading, harmful and predatory activity.

Assembly Bill 324 (2017)

One impact of Assembly Bill 324 was that attention was drawn to the requirement for tax preparers – including enrolled agents to practice before the Internal Revenue Service - to register as a document preparation service. Assembly Bill 324 amended the definition of document preparation service to remove the exclusion of enrolled agent authorized to practice before the Internal Revenue Service and clarified this exclusion by stating in NRS 240A.030(2)(c) that the term includes, without limitation, an enrolled agent authorized to practice before the Internal Revenue Service.

Assembly Bill 324 took effect July 1, 2017. As a result, that summer we had a significant influx of applications for registration and the corresponding criminal background reports for those applicants.

In November 2017, the Nevada Society of Enrolled Agents filed suit and obtained a Temporary Restraining Order enjoining the State of Nevada through its Secretary of State from taking any actions to enforce NRS 240A as its provisions affect enrolled agents. The Restraining Order has remained in place as the legal process runs, and the office has advised enrolled agents to not proceed with registration.

## Document Preparation Registration Statistics

Active Document Preparation Service Registrants								
FY 2014	FY 2015	% Change	FY 2016	% Change	FY 2017	% Change	FY 2018	% Change
64	231	72%	252	8%	276	9%	870	68%

## Complaints Concerning Tax Preparation

Of 108 open cases, 24 of them – 22% - are tax preparation related.

Common complaint themes are:

- Consumer provides tax preparer their personal information and a debit card and are charged more for services than they understood they would be charged. Often hundreds of dollars. No response from preparer. Office is closed.
- Tax refund was collected by tax preparer and stolen.
- Tax refund was collected by tax preparer and a greater amount than understood by client was withheld for services rendered.

In “fast refund” type of transactions, tax preparers have the refund payment deposited to them; when the preparer issues refund payment to the customer they often withhold more than was represented or agreed upon for tax preparation services, thus the consumer receives less and pays more than they should have. Tax preparers are required to put their name and PTIN number on a tax form when they assist in the preparation of a return. When they do not do that, it appears that the tax filer prepared and submitted the return. These “ghost preparer” tax filings which appear to be submitted by the taxpayer can result in penalties and prosecution if unallowable or fraudulent deductions or claims are made for which the taxpayer is responsible. When the IRS comes back on the filer, they are left with the consequences and penalties. The consumer does not review and sign the tax return prepared and submitted online, presuming it was correctly prepared.

## How NRS 240A Addresses Tax Preparation

Document preparation service does not address the technical aspects of any particular service rendered that is deemed document preparation. Registration:

- Requires that any person who offers services is registered with the Secretary of State;
- Requires proof of citizenship or legal residency or Employment Authorization Document issued by USCIS and age qualification of 18 years of age;
- Requires a criminal background check with limited criteria for denial of registration (NRS 240A.100);
- Prohibits registration of suspended or disbarred attorneys;
- Requires a \$50,000 bond which provides consumer recourse;
- Requires a written contract for services with a client;

- Requires disclosure that the registrant is not an attorney authorized to practice law in this State or provide legal advice or legal representation;
- Regulates advertising;
- Ensures business entity has a State business license;
- Protects and safeguards documents of a client provided in connection with services rendered; and
- Details prohibited acts.

NRS 240A provides for referral for civil action to be brought for injunctive relief, recovery of civil penalty and an order for restitution. NRS 240A also provides criminal penalties, including fine and imprisonment, and restitution.

### Two Areas of Legislative Purview

Compliance resources are extremely limited and stretched very thinly. The program has one Compliance Investigator – statewide – to investigate complaints and pursue unregistered activity. The program has one Administrative Assistant whose primary responsibility is processing registrants and monitoring compliance with the bonding requirement.

If the State is enjoined by court order from taking any action to enforce NRS 240A against any person that is an enrolled agent to practice before the Internal Revenue Service, the definition of document preparation service should be amended to eliminate any Constitutional conflict.