

EXAMPLE IRS SECTION 7216 DISCLOSURE STATEMENT

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[FIRM NAME]

IRS Section 7216 Regulations

IRS regulations under Internal Revenue Code section 7216 became final December 28, 2012. Treasury Regulation section 301.7216 modifies previous regulations that were largely unchanged for thirty years. The newly revised regulations address modern tax return preparation practices, including the use of electronic filing and the cross-marketing by tax return preparers of financial and commercial services and products.

Section 301.7216 generally prohibits the disclosure or use of a client's tax return information without the client's written explicit consent, absent a specific exception. Disclosure of tax return information refers to a disclosure by the tax preparer to a third party. Use of tax return information refers to the use of return information by the preparer for potential purposes of offering the taxpayer non-tax services.

A tax return preparer is subject to criminal penalties under section 7216 if the preparer "knowingly or recklessly" discloses or uses tax return information. A fine of up to \$1,000 or one year imprisonment, or both, could result for each violation. Additionally, Internal Revenue Code section 6713 provides for a civil penalty of \$250 for each prohibited disclosure or use of tax return information by a tax preparer.

Due to these regulations, [FIRM NAME] is no longer able to provide copies of client tax returns to third parties who may need a copy of your return, such as bankers, without receiving properly signed disclosure and use consent forms which will be provided to you. These forms follow. Your cooperation is appreciated.

[NOTE: This, or a similar statement, should be included with client consent forms as an explanation of how Section 7216 is applicable and as an explanation of why a client's consent is needed.]

These sample engagement letters, checklists, and practice and consent forms are for illustrative purposes only. We recommend you use these letters and forms only after you have consulted with your attorney. Since your practice may be different than those described in the sample letters and forms, we recommend that you modify them to suit your individual practice needs. Use of these sample letters and forms is not intended to constitute a binding contract, does not constitute legal advice, and does not satisfy your obligation to do thorough research. © Gilsbar Specialty Insurance Services, L.L.C. and Date.