

Video 2

# CTEC EXEMPTIONS

CTEC Webinar Series  
PDF Version



# CTEC Exemptions

California Business and Professions Code defines the following as exempt from CTEC registration...

- ✓ Certified Public Accountants (CPAs) with the California Board of Accountancy.
- ✓ Attorneys with the State Bar of California.
- ✓ Enrolled Agents (EAs) with the IRS.
- ✓ A trust company or business.  
(Ch 1, Sec 99, of Div 1 of the Financial code)



# CTEC Exemptions

California Business and Professions Code defines the following as exempt from CTEC registration...

- ✓ A financial institution that deals with tax preparation in some way, but is regulated or subject to some form of examination or oversight by state or federal government.
- ✓ Any employee of a business, corporation, partnership, association or other entity where part of their responsibility includes preparing or assisting with tax returns for that company or entity.

California Business and Professions Code 22258, subdivision (b). (6) Any employee of any person described in paragraph (1), (2), (3), (4), or (5), while functioning within the scope of that employment, that the employee is supervised by a person exempt under this subdivision who reviews the return, signs it, and is responsible for its content. (7) Any employee of any corporation, partnership, association, or any entity described in subparagraph (b) of paragraph (1) of subdivision (a) of Section 22251. Section 22251(a)(1)(B) - A corporation, partnership, association, or other entity that has associated with it persons not exempted under Section 22258, which persons shall have as part of their responsibilities the preparation of data and ultimate signatory authority on tax returns or that holds itself out as offering those services or having that authority.



# CTEC Exemptions

Preparing the tax return is part of a job duty,  
NOT a paid service to taxpayers.

California Business and Professions Code 22258, subdivision (b). (6) Any employee of any person described in paragraph (1), (2), (3), (4), or (5), while functioning within the scope of that employment, that the employee is supervised by a person exempt under this subdivision who reviews the return, signs it, and is responsible for its content.  
(7) Any employee of any corporation, partnership, association, or any entity described in subparagraph (b) of paragraph (1) of subdivision (a) of Section 22251.  
Section 22251(a)(1)(B) - A corporation, partnership, association, or other entity that has associated with it persons not exempted under Section 22258, which persons shall have as part of their responsibilities the preparation of data and ultimate signatory authority on tax returns or that holds itself out as offering those services or having that authority.

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# CTEC Exemptions

Regarding employees of tax preparers and out-of-state tax professionals...

- ✓ Inactive CPAs and attorneys who are physically doing business in California must register with CTEC or meet state requirements to become active California CPAs or attorneys.
- ✓ Out-of-state CPAs and attorneys who are physically doing business in California must also register with CTEC or meet California CPA or attorney requirements.



# CTEC Exemptions

Regarding employees of tax preparers and out-of-state tax professionals...

- ✓ Inactive EAs who are physically doing business in California must also register; however, active EAs (in state or out-of-state) are exempt from CTEC registration.
- ✓ Employees of an exempt tax preparer must register with CTEC if they prepare and sign the tax return. If the exempt tax preparer signs the tax return for them, as proof of accountability, then they don't need to register.



# C RTP Employees

This only applies to employees of exempt tax preparers - California attorneys and CPAs, and EAs. Not CTEC Registered Tax Preparer (CRTP) employees.

Employees who work for a CRTP and prepare or assist with preparing the tax return must also be a CRTP.

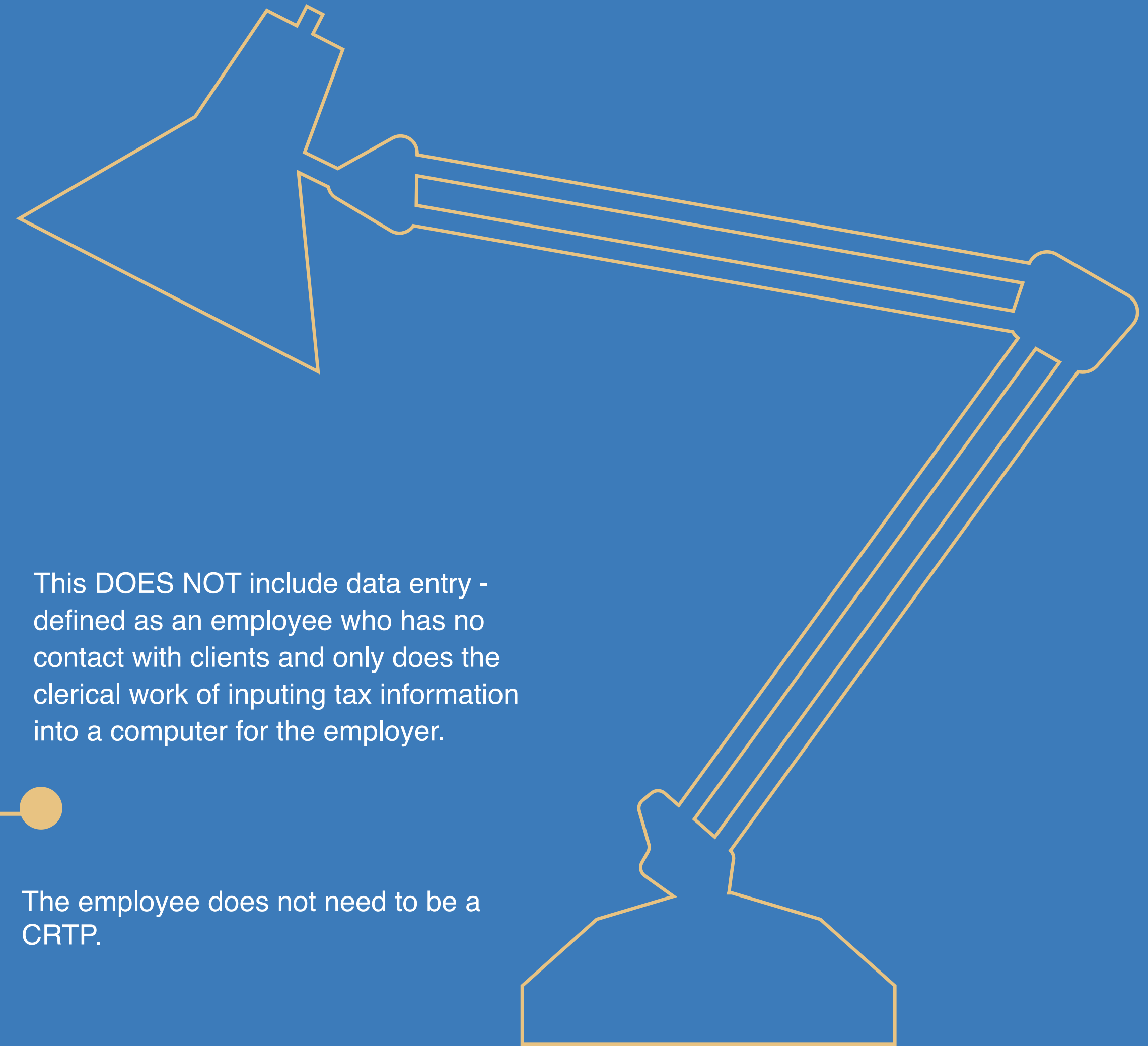
This includes employees who take income tax data directly from a client and enters that information into a computer.

This DOES NOT include data entry - defined as an employee who has no contact with clients and only does the clerical work of inputting tax information into a computer for the employer.

CTEC registration is required even if they don't sign the tax return.

They must register because they "assisted with" preparing the tax return as defined in the code section below.

The employee does not need to be a CRTP.



# Bundled Services

Finally, anyone who prepares tax returns that are bundled or included with other services, must also meet California tax preparer requirements as either a California attorney and CPA, CRTP, or EA.

Even though tax preparation was only part of a package deal, money was still exchanged for that service, and according to California law, that makes the individual a paid tax preparer.







Please refer to PDF/videos 1 and PDF/videos 3 - 5 for additional information about the CTEC program.