

# The Role of CTEC

California's "Grand Experiment": A Proven Model  
for Nonprofit Regulatory Oversight



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# Executive Summary

The California Tax Education Council (CTEC) is an independent nonprofit organization authorized by the State of California to help protect taxpayers and elevate professional standards among nonexempt tax preparers.

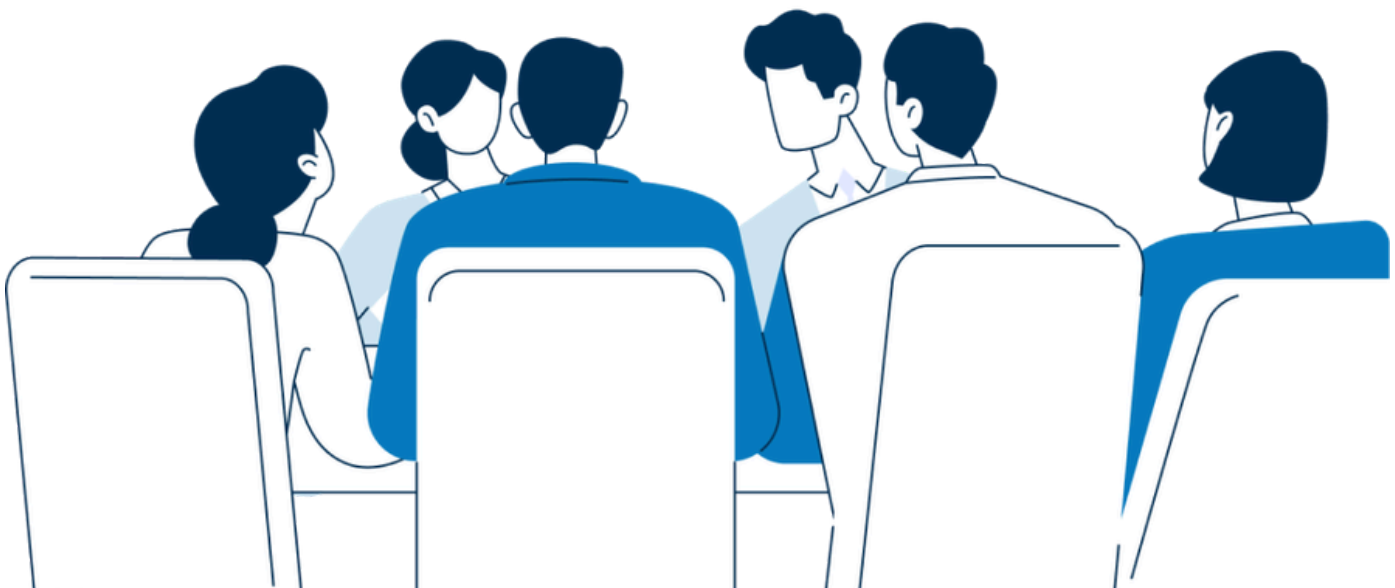
Established in 1997 as an alternative to a state-run program, CTEC was designed as a “grand experiment” in providing effective oversight without relying on state funding.

Nearly three decades later, the model has matured into a stable, self-funded system that registers roughly 40,000 tax preparers annually and supports statewide taxpayer protection.

CTEC coordinates with the California Franchise Tax Board (FTB) on enforcement, maintains education and compliance standards for registrants, and promotes public transparency through a searchable registry.

While the framework has proven effective, challenges remain—particularly in identifying unregistered “ghost tax preparers.” Addressing this issue will require targeted legislative action.

This white paper reviews CTEC’s origins, performance, and ongoing initiatives to strengthen oversight and protect California taxpayers.





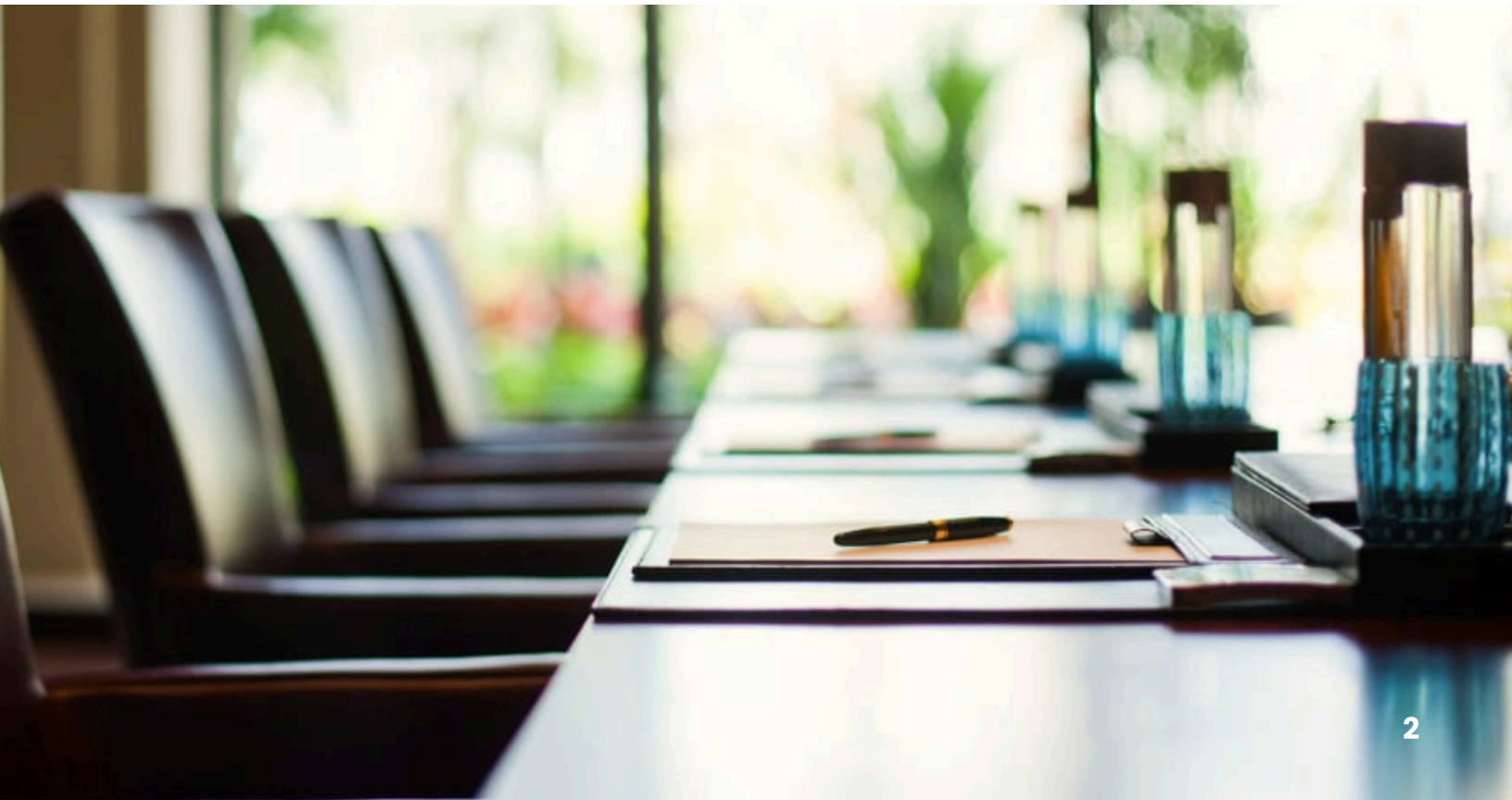
# Why California Chose a Nonprofit Regulatory Model

In the mid-1990s, the Department of Consumer Affairs Tax Preparer Program (TPP) struggled to keep pace with a rapidly changing tax preparation industry. Oversight, enforcement, and risk management became increasingly difficult across a growing and diverse population of tax preparers. At the same time, the state's limited budget made it hard to expand resources to meet these challenges.

To address these issues, the Legislature established CTEC in 1997 as a nonprofit regulatory model.

This “grand experiment” was designed to maintain effective oversight without relying on state funding. The framework combines industry expertise, operational flexibility, and registrant-funded oversight while ensuring public accountability and transparency.

Over the years, CTEC has evolved into a stable, adaptable system that continues to grow with the industry. It provides the foundation for California's oversight of tax preparers and serves as a model for effective, self-funded regulation.



# How the CTEC Model Works

CTEC promotes competency and taxpayer protection by setting rigorous standards for nonexempt tax preparers and regulating the education providers responsible for required training. This oversight ensures that registrants are educated and enhances transparency for taxpayers.





## Registration Requirements

All paid tax preparers who are not otherwise exempt (e.g., \*CPAs, \*attorneys, Enrolled Agents) must comply with CTEC's registration requirements, including payment of all applicable fees.

- ✓ Pass a live scan and background check
- ✓ Complete 60 hours of initial education
- ✓ Complete 20 hours of annual continuing education
- ✓ Maintain an IRS Preparer Tax Identification Number (PTIN)
- ✓ Maintain a \$5,000 surety bond

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*\*CPAs and those employed by them must be verified by the California Board of Accountancy. Attorneys must be active members with the State Bar of California.*

## Education Provider Requirements

CTEC approves and monitors all education providers. Oversight includes:

- ✓ Curriculum review
- ✓ Compliance audits
- ✓ Periodic re-approval cycles
- ✓ Enforcement actions for noncompliant providers





# Governance and Compliance Oversight

CTEC operates under the Bagley-Keene Open Meeting Act to ensure public participation and transparency. It is governed by a volunteer board representing multiple sectors of the tax preparation industry. Committee oversight includes:

- Audit
- Budget and Finance
- Bylaws
- Communications and Technology
- Curriculum Provider Professional Standards
- Governmental Relations
- Public Awareness
- Tax Preparer

To support its mission and day-to-day operations, CTEC contracts with specialized vendors and professionals, including administrative support, public relations/marketing, a paralegal and reviewers for background checks, an attorney, an IT professional, and a dedicated website company.

This inclusive and collaborative structure ensures consistency, accountability, and expertise-driven decision-making, while leveraging professional resources.





# Enforcement and Transparency

Since 2005, Senate Bill 1543 has provided the FTB with authority to identify unregistered tax preparers. To provide transparency, CTEC maintains a public, searchable registry of all current registrants—including disciplinary actions, bond claims, suspensions, revocations, and denials—allowing taxpayers to verify a registrant’s status and review relevant enforcement history.

Without these functions, enforcement would be more fragmented, transparency for taxpayers would be reduced, and the State would face greater administrative complexity.





# Enforcement Historical Overview

Paid tax preparers who fail to provide proof of registration or exemption may face a \$2,500 penalty for a first offense—waived if proof of compliance is submitted to the FTB within 90 days—and \$5,000 for subsequent violations. Penalties are deposited into the State’s General Fund.

CTEC’s registrant base has grown from approximately **28,000 to 40,000** annually, reflecting the impact of FTB enforcement efforts and legislative enhancements.

Noncompliant tax preparers now average fewer than 4,000 per year according to FTB enforcement data—well below early estimates of 10,000 to 20,000 unregistered tax preparers.

# 0%

CTEC has never received any reimbursement for funding the enforcement program.

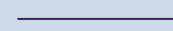


**2008**      **SB 737**



Clarified registration requirements—including those who “assist with” tax preparation

**2014**      **SB 484**



Empowered CTEC to deny, suspend, or revoke registrations

**2020**      **AB 3143**



Required disclosure of paid surety bond claims and authorized background checks and fingerprint-based screening for new applicants



## Enforcement Penalty Revenue

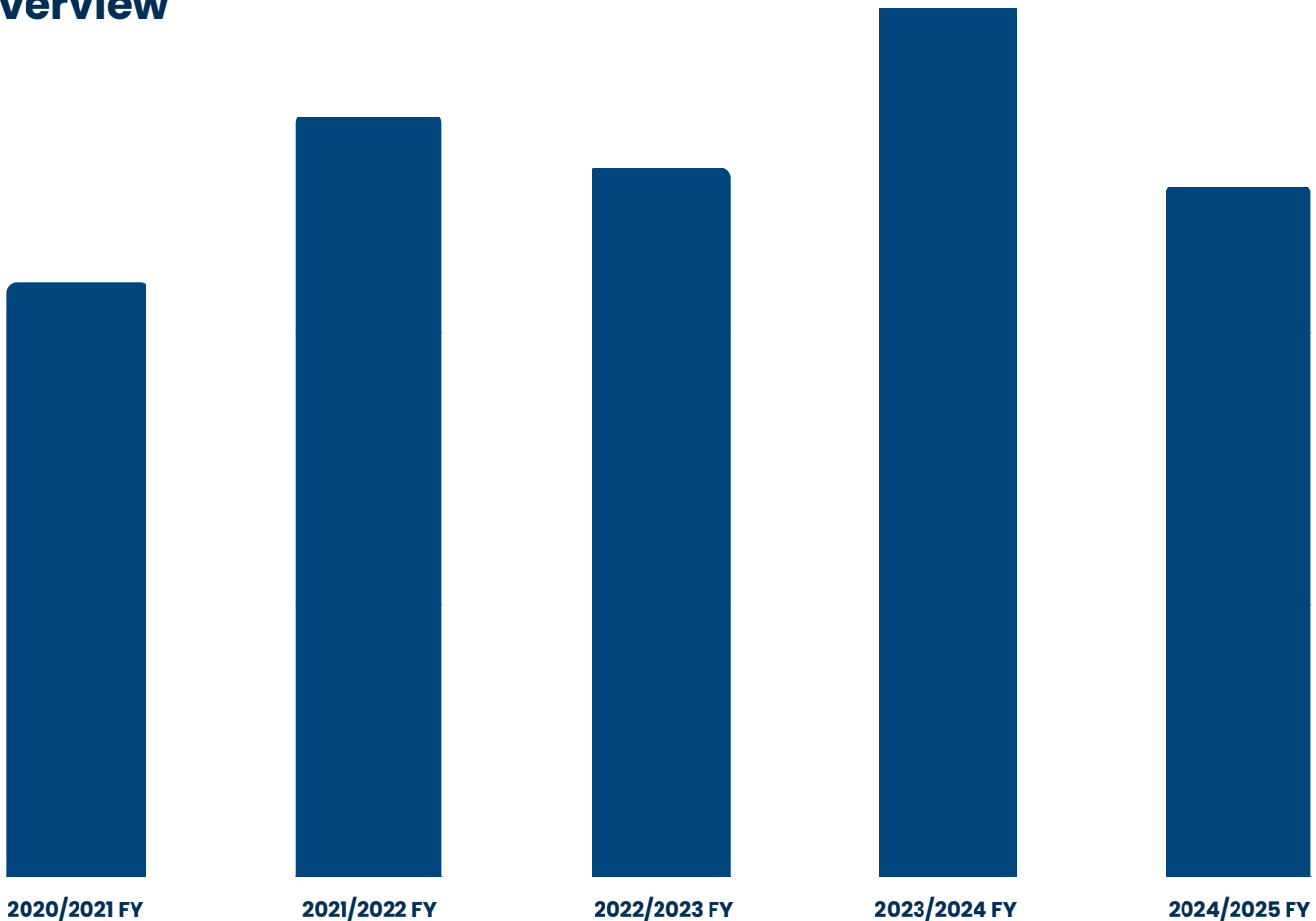
While these penalties go to the State's General Fund rather than directly funding CTEC, they highlight the impact of efforts to enforce compliance and the overall fiscal benefit the state gains from FTB enforcement.

Over the last five fiscal years, the FTB has generated between \$1 million to \$1.6 million in annual penalty revenue.

Since the program's inception, the FTB has generated approximately \$11.5 million in penalty revenue.

While generating revenue is not the primary aim, these figures illustrate the program's effectiveness at promoting compliance and protecting California taxpayers.

## Five Year Revenue Overview





# Disciplinary Actions and Denials

CTEC’s authority to deny, suspend, or revoke registrations—strengthened by statute in 2014 and expanded through mandatory fingerprint-based background checks effective July 1, 2020—provides a critical layer of protection for California taxpayers.

Registration with CTEC is not automatic. Applicants must meet statutory qualifications before being approved.

## Common Trends in Proposed Denials

The most frequent issue identified during background review is nondisclosure of criminal history or prior professional discipline. In many cases, applicants fail to disclose convictions that frequently appear in proposed denial matters because they are substantially related to the qualifications, functions, or duties of a tax preparer, including:

- Theft-related offenses (petty theft, grand theft, receiving stolen property).
- Fraud and financial crimes (forgery, bad checks, false financial statements, welfare fraud, identity theft).
- Burglary and robbery.
- Assault, battery, and criminal threats.
- Other offenses involving dishonesty.

Some applicants also do not disclose prior denials or disciplinary actions related to a professional license, certificate, or registration issued by a state or federal authority.

Each application is reviewed individually. The most consistent challenge is incomplete disclosure and weak rehabilitation documentation, which may delay approval or result in denial.

## Observed Application Cycle Trends

Application activity follows a seasonal pattern:

- From August through November, fewer applicants present reportable criminal histories, and disclosure tends to be more complete.
- From December through March, application volume increases, along with a higher number of substantially related convictions and instances of nondisclosure.

These trends coincide with the surge in applications ahead of peak filing season. Proposed denials are reviewed by independent Background Reviewers. Applicants receive written notice and an opportunity to respond before a final decision is made by designated Hearing Officers. Individuals denied registration may not reapply for three years.



# 2025/2026 Registration and Applicant Snapshot



CTEC maintains a strong and stable base of registrants while welcoming new professionals into the program. Over the past two registration cycles, CTEC has averaged approximately 39,000 to 40,000 registrants.

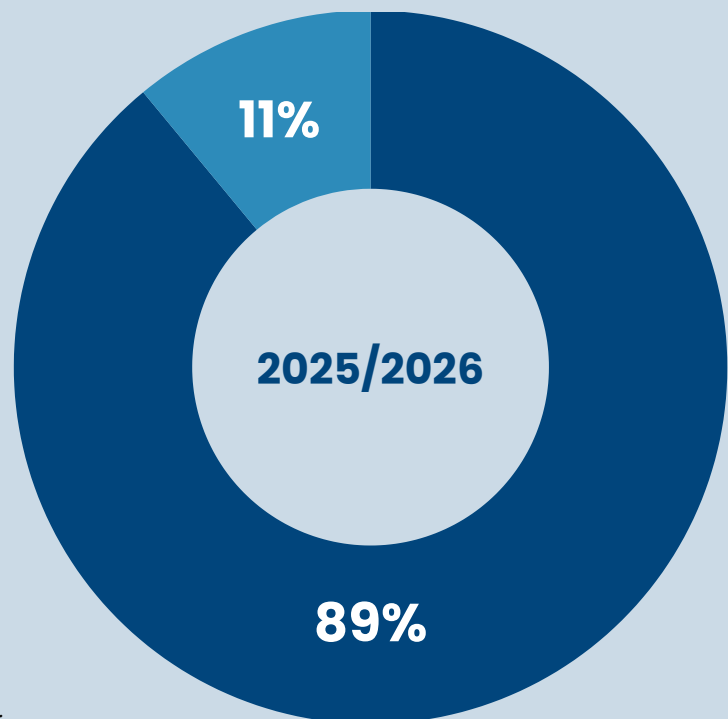
As of June 3, 2026, 5,747 individuals had submitted applications for a new registration.



Once the required criminal history record is received from the California Department of Justice, each application enters CTEC's review process and is assigned to the appropriate processing category.

- DOJ Record Received
- ↓
- Initial Review
- ↓
- Approval or Proposed Denial  
*\* Including hearing review when applicable*
- ↓
- Final Determination

-  Registration Renewals
-  New Applications



*\*Applicants receiving a proposed denial may request review through CTEC's hearing process before a final determination is issued.*

# CTEC Survey Findings

These results highlight the effectiveness of CTEC's coordinated governance, data-driven decision-making, and responsive public awareness efforts.





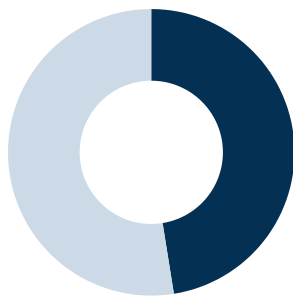
# Taxpayer Surveys: Key Insights

Understanding how Californians become aware of tax preparer regulations and fraud prevention is essential for effective public outreach. Over the past decade, CTEC has conducted regular surveys to track shifts in public awareness, messaging recall, and media consumption habits.

These findings reveal both enduring trends and emerging changes in how critical information reaches taxpayers.

Outdoor advertising has historically led awareness efforts, while messages focused on fraud prevention and signature requirements have proven most memorable.

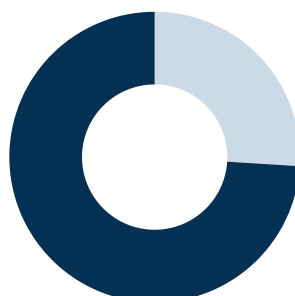
In recent years, the landscape has evolved with the growing influence of audio, podcasts, and digital media, particularly during and after the COVID-19 pandemic.



2014-2019

**Outdoor Ads**

**47%+**



2020

**Audio Ads**

**26% ↑**



2021 - 2026

**Digital Ads\***

**42%+**

Outdoor ads consistently drove the highest awareness, up to 47% of respondents citing them as their source. When aided, recall increased to over 52% in some cases. Billboards showed the highest awareness followed by bus signs.

Audio advertising increased from historical awareness levels of 7%–13% to 26% during the pandemic. Industry reports during this period noted increased consumption of audio content and podcasts as stay-at-home mandates changed media habits and listening behavior.

After the pandemic, CTEC faced budget constraints and reduced its advertising budget from 2021 – 2025. CTEC focused on digital ads and produced a podcast as an affordable solution to reach taxpayers. By 2026, digital media has become a significant component of CTEC's statewide awareness strategy.

*\*Digital media's contribution to campaign awareness has varied over time based on media mix and budget allocation. CTEC will conduct an independent survey in 2026 and 2027.*



# Registrant Surveys Demonstrate Confidence in CTEC Oversight (2006–2024)

Surveys of CTEC registrants consistently show strong support for the program. Between 2006 and 2013, satisfaction with CTEC services increased from **88% to 96%**, reflecting growing confidence in the Council’s oversight and support.

A 2024 follow-up survey to CRTPs and education providers focused on online registration and provider reporting processes.

Neutral or negative ratings remained low regarding the processes, demonstrating continued confidence in CTEC’s support and oversight.

Feedback from younger registrants highlighted a need for a more modern, user-friendly website experience, prompting significant upgrades in 2025 to enhance usability.



80% of respondents reported that CTEC registration improved their professional abilities.



77% of respondents indicated CTEC registration is necessary.



Almost 80% of respondents indicated CTEC registration protects taxpayers from fraudulent or incompetent tax preparers.



85% CRTP respondents found the registration process easy to complete.

# Regulatory Initiatives

California's approach to tax preparer oversight is both a state innovation and a model with national influence. CTEC has helped shape California's regulatory framework, influenced federal initiatives, and supported other states in enhancing taxpayer protections.

At the same time, CTEC and the FTB continue to confront enforcement gaps, actively pursuing statutory changes to address the risks posed by ghost tax preparers.





# IRS Tax Preparer Registration Initiative, 2011

The Registered Tax Return Preparer (RTRP) program was an IRS initiative launched for the 2011 filing season to professionalize paid tax preparers who were not attorneys, CPAs, or Enrolled Agents.

The program aimed to enhance taxpayer protection by establishing minimum standards for competency and ethical conduct, and its core requirements mirrored some elements of the CTEC model, including registration requirements (not licensing), continuing education, and ethics standards.

Although the program was later curtailed by *Loving v. IRS*, it highlighted the national need for stronger tax preparer standards—and demonstrated how CTEC’s approach served as a workable blueprint.



The new IRS blueprint is already at play in California, whose rules for regulating tax preparers seem to have inspired the agency’s plan.

— The Wall Street Journal  
December 30, 2009



## Federal Hearings and State Influence

During IRS hearings on tax preparer oversight in 2009, CTEC and FTB, along with Oregon’s Board of Tax Practitioners, were invited to testify. Their success demonstrated the viability of state-level regulation, reinforcing the value of CTEC’s model.



## Federal Developments and State Oversight

In 2026, the U.S. Government Accountability Office called for stronger IRS oversight, reinforcing the continued importance of state-level regulatory models.

To date, only Maryland and New York have joined California and Oregon in adopting tax preparer oversight, with Oregon remaining the only state requiring licensure.



# Strengthening Enforcement Against Ghost Tax Preparers

Ghost tax preparers—individuals who prepare tax returns for compensation but fail to sign them—pose a significant risk to California taxpayers. By operating outside registration and identification requirements, they undermine accountability and make it difficult to trace errors, misconduct, or fraud. CTEC and the FTB regularly encounter ghost tax preparer activity through complaints, referrals, and filing patterns.

While existing law provides tools to address unregistered tax preparers, enforcement against ghost tax preparers is both resource-intensive and constrained by statute. Each case requires detailed return analysis, tax preparer identification, correspondence, and potential penalty assessment.

Although the FTB has authority to pursue noncompliant tax preparers, current statutes and staffing structures limit how extensively those tools can be applied to ghost tax preparer cases.

Enforcement efforts must compete with broader tax administration priorities, reducing the volume and consistency of investigations.

Because investigative and penalty authority resides with the FTB—not CTEC—addressing ghost tax preparer activity at scale depends on legislative direction.

Targeted statutory changes could better align enforcement authority, staffing flexibility, and data tools by:

- Supporting additional, dedicated FTB enforcement staffing.
- Clarifying enforcement authority related to unsigned returns.
- Improving data-sharing and analytical capabilities.

## Looking Ahead

CTEC will continue to work closely with the FTB and the Legislature to address the risks associated with ghost tax preparers. Targeted statutory updates, combined with sufficient enforcement resources, would strengthen taxpayer protection while maintaining the integrity of California's current regulatory framework.



## Conclusion

California’s approach to nonprofit tax preparer oversight has matured into a proven, sustainable model for protecting taxpayers and raising professional standards. For nearly 30 years, CTEC has demonstrated that combining industry expertise, operational flexibility, and registrant-funded oversight can achieve effective regulation without expanding government infrastructure or relying on state funds.

Today’s tax preparation environment is increasingly complex, data-driven, and technology-dependent, making it more difficult to identify bad actors and protect taxpayers. Unregistered and ghost tax preparers continue to exploit these conditions by operating outside accountability systems, leaving taxpayers exposed to errors, fraud, and downstream compliance risks.

CTEC’s centralized framework—paired with the FTB’s enforcement authority—provides California with a scalable structure capable of responding to these challenges. Continued progress will depend on refining statutory tools, strengthening interagency coordination, and ensuring enforcement resources remain aligned with emerging risks.

At the same time, taxpayer protection increasingly extends beyond regulation and enforcement alone.

As technology, digital search behavior, and consumer expectations continue to evolve, public awareness, accessibility, and education play an increasingly important role in helping Californians make informed decisions before filing a return.

In recent years, CTEC has expanded efforts to modernize taxpayer-facing systems, improve digital accessibility, strengthen public transparency, and increase access to trusted educational resources designed to help taxpayers identify legitimate tax preparers and avoid fraud.

As federal efforts remain limited, California’s nonprofit oversight model continues to offer a practical path forward—one that protects taxpayers, promotes professional accountability, encourages public trust, and operates without reliance on the State’s General Fund.

The continued evolution of taxpayer education, digital modernization, and public awareness initiatives will further strengthen this framework and help ensure California remains one of the nation’s most comprehensive tax preparer oversight models.



# References/Appendix

## **IRS Return Preparer Review (2009)**

IRS Return Preparer Initiative (overview & background)

[https://en.wikipedia.org/wiki/IRS\\_Return\\_Preparer\\_Initiative](https://en.wikipedia.org/wiki/IRS_Return_Preparer_Initiative)

IRS announcement of the Return Preparer Review (June 2009)

<https://www.irs.gov/newsroom/irs-plans-new-steps-to-boost-oversight-of-tax-return-preparer-industry>

Loving v. IRS (for context – result of the review)

Full D.C. Circuit opinion (2014)

<https://law.justia.com/cases/federal/appellate-courts/cadc/13-5061/13-5061-2014-02-11.html>

## **Media Quote**

Tom Herman, “IRS to Regulate Tax Preparers”

[The Wall Street Journal, December 30, 2009.](#)

## **State Regulatory Models Referenced in Hearings**

California Tax Education Council (CTEC)

<https://www.ctec.org>

California Franchise Tax Board (FTB)

<https://www.ftb.ca.gov>

Oregon Board of Tax Practitioners

<https://www.oregon.gov/btp>



# Appendix: Data Sources and Methodology


<b>Topic</b>	<b>Source</b>
Registrant Counts .....	CTEC Annual Reports, 2014 - 2025
Enforcement penalties .....	FTB Enforcement Reports
CTEC Milestones .....	Sunset Review Reports
Applicant Statistics .....	New Application Breakdown (May 15, 2026)
Registrant Surveys .....	CTEC Surveys (2006 - 2024)
Taxpayer Awareness Surveys .....	CA Walker Surveys (2014 - 2026)



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