AN ACT concerning income taxation; enacting the Kansas taxpayer protection act; relating to paid tax return preparers; requiring a signature and tax identification number on returns and claims; authorizing actions by the secretary of revenue to enjoin certain conduct.

Be it enacted by the Legislature of the State of Kansas:

Section 1. The provisions of sections 1 through 6, and amendments thereto, shall be known and may be cited as the Kansas taxpayer protection act.

Sec. 2. As used in this act:
(a) "Paid tax return preparer" means any person who prepares or substantially prepares for compensation, or who employs one or more persons who prepare or substantially prepare for compensation, any income tax return or claim for refund, required to be filed pursuant to K.S.A. 79-3201 et seq., and amendments thereto. "Paid tax return preparer" does not include a person regulated under chapter 1 of the Kansas Statutes Annotated, and amendments thereto, or the following:
(1) An individual licensed as a certified public accountant in this state under K.S.A. 1-302b or 1-322, and amendments thereto;
(2) an individual licensed as a certified public accountant in another licensing jurisdiction and practicing in this state under K.S.A. 1-302b or 1-322, and amendments thereto;
(3) an individual employed by a firm licensed in this state under K.S.A. 1-308, and amendments thereto, and preparing a return under the supervision of an individual described in paragraph (1) or (2); or
(4) any members of the public accountants association of Kansas.
(b) "Secretary" means secretary of the Kansas department of revenue.

Sec. 3. (a) On and after January 1, 2020, any income tax return or claim for refund prepared or substantially prepared by a paid tax return preparer shall be signed by the paid tax return preparer and shall bear the paid tax return preparer's federal internal revenue service preparer tax identification number. Any paid tax return preparer who fails to sign the income tax return or claim for refund or who fails to provide the preparer's federal internal revenue service preparer tax identification number shall pay a civil penalty of $50 for each such failure to the Kansas department
of revenue, unless it can be shown that the failure was due to reasonable
cause and not willful or reckless conduct. The penalty imposed on any
paid tax return preparer with respect to returns or claims for refund filed
during any calendar year shall not exceed $25,000 per paid tax return
preparer.

(b) The penalty shall be imposed pursuant to this section upon the
written order of the secretary or the secretary's designee to the paid tax
return preparer who committed the violation. Such order shall state the
violation, the penalty to be imposed and the right of the paid tax return
preparer to appeal the order. Such order shall be subject to appeal and
review in the manner provided by the Kansas administrative procedure act.

(c) Any penalty collected pursuant to this section shall be remitted to
the state treasurer in accordance with the provisions of K.S.A. 75-4215,
and amendments thereto. Upon receipt of each such remittance, the state
treasurer shall deposit the entire amount in the state treasury to the credit
of the state general fund.

Sec. 4. (a) The secretary or the secretary's designee is hereby
authorized to enjoin any person from engaging in conduct described in
subsection (b) or from further action as a paid tax return preparer under the
provisions of the Kansas taxpayer protection act who is found to be in
violation of this act and the secretary or the secretary's designee shall be
entitled, in any proceeding brought for such purpose to have an order
restraining such person from engaging in conduct in violation of the
provisions of this act, and no bond shall be required for any such
restraining order, nor for any temporary or permanent injunction issued in
such proceedings. The secretary may commence suit in a court of
competent jurisdiction to enjoin any paid tax return preparer from further
engaging in any conduct described in subsection (b) or from further action
as a paid tax return preparer in this state. The secretary may request the
assistance of the attorney general or the attorney general's duly authorized
designee to enforce provisions of this section.

(b) In an action pursuant to subsection (a), the court may enjoin the
paid tax return preparer from further engaging in any conduct described in
this subsection, if the court finds that injunctive relief is appropriate to
prevent occurrence of such conduct. The court may issue an injunction
when the paid tax return preparer has engaged in any of the following
conduct:

(1) Prepared any income tax return or claim for refund that includes
an understatement of a taxpayer's liability due to an unreasonable position.
As used in this subsection, "unreasonable position" shall have the meaning
ascribed by section 6694(a)(2) of the federal internal revenue code;

(2) prepared any income tax return or claim for refund that includes
an understatement of a taxpayer's liability due to the paid tax return
preparer's willful or reckless conduct. As used in this subsection, "willful
or reckless conduct" shall have the meaning ascribed by section 6694(b)(2)
of the federal internal revenue code;
(3) where required, failed to do any of the following:
(A) Furnish a copy of the income tax return or claim for refund;
(B) sign the income tax return or claim for refund;
(C) furnish an identifying number;
(D) retain a copy of the income tax return or claim for refund; or
(E) be diligent in determining eligibility for tax benefits;
(4) negotiated a check issued to the taxpayer by the department of
revenue without the permission of the taxpayer;
(5) engaged in any conduct subject to any criminal penalty provided
for in chapter 79 of the Kansas Statutes Annotated, and amendments
thereto;
(6) misrepresented the paid tax return preparer's eligibility to practice
before the department of revenue or otherwise misrepresented the paid tax
return preparer's experience or education;
(7) guaranteed the payment of any income tax refund or the
allowance of any income tax credit; or
(8) engaged in any other fraudulent or deceptive conduct that
substantially interferes with the proper administration of the tax laws of
the state of Kansas.
(c) If the court finds that a paid tax return preparer has continually or
repeatedly engaged in any conduct described in subsection (b) and that an
injunction prohibiting the conduct would not be sufficient to prevent the
person's interference with the proper administration of the tax laws of the
state of Kansas, the court may enjoin the person from acting as a paid tax
return preparer in the state of Kansas. The fact that the person has been
enjoined from preparing tax returns or claims for refund for the United
States or any other state in the five years preceding the petition for an
injunction shall establish a prima facie case for an injunction to be issued
pursuant to this section. For purposes of this subsection, "state" means a
state of the United States, the District of Columbia, Puerto Rico, the
United States Virgin Islands or any territory or insular possession subject
to the jurisdiction of the United States.
(d) The secretary or the secretary's designee shall annually report a
summary of the secretary's enjoinment actions on the department of
revenue's website.
Sec. 5. (a) Preparation or substantial preparation of any income tax
return or claim for refund filed pursuant to K.S.A. 79-3201 et seq., and
amendments thereto, by a paid tax return preparer, whether or not a
resident or citizen of this state, thereby submits the preparer to the
jurisdiction of the courts of this state as to any cause of action arising from
the provisions of this act.

(b) Every action pursuant to this act shall be brought in the district
court of Shawnee county.

(c) In lieu of instigating or continuing an action or proceeding, the
secretary or the secretary's designee may accept a consent judgment with
respect to any act or practice declared to be a violation of this act. A
consent judgment shall provide for the discontinuance by the paid tax
return preparer entering the same of any act or practice declared to be a
violation of this act. Any consent judgment entered into pursuant to this
section shall not be deemed to admit the violation, unless it does so by its
terms. Before any consent judgment entered into pursuant to this section
shall be effective, it must be approved by the district court and an entry
made in the manner required for making an entry of judgment. Once such
approval is received, any breach of the conditions of such consent
judgment shall be treated as a violation of a court order and shall be
subject to all the penalties provided by law.

Sec. 6. The secretary may adopt rules and regulations necessary to
carry out the provisions of the Kansas taxpayer protection act.

Sec. 7. This act shall take effect and be in force from and after its
publication in the statute book.