

History of Enrolled Agents

The following is provided as an overview about how Enrolled Agents fit into the U.S. tax system.

Post Civil War Congress enacted legislation that gave citizens of the U.S. authority to make claims for the value of horses and other property lost during the War. These claims were to be filed with the Treasury Department.

It soon became evident that more claims had been submitted than horses lost.

July 7, 1884 Under President Chester Arthur, the General Deficiency Appropriation Bill (H.R. 2735) signed into law. (Also known as the Horse Act of 1884 and the Enabling Act.)

This law gave the Secretary of the Treasury authority to regulate the admission of attorneys and agents who represented claimants before the Treasury Department and to take appropriate disciplinary action against those who failed to comply with the regulations or who were incompetent.

1884-1921 Statute remained unchanged and it was the only law concerning attorneys, agents, and other persons representing claimants before the Treasury Department.

1921 A number of circulars dating back as far as 1886 were combined with other statutes into a singular Treasury Department Circular – Circular #230.

Effective February 19, 1921, this first Circular 230 addressed “the laws and regulations governing the recognition of agents, attorneys and other persons representing claimants before the Treasury Department and offices thereof.”

Accountants who wanted to enroll with the Treasury Department were required to show that they were of a good reputation, possess necessary qualifications, and take an oath of allegiance.

1936 Circular 230 was revised to allow only lawyers and CPAs to represent clients before the IRS. This was largely a result of lobbying efforts by the American Bar Association and the American Institute of Accountants (predecessor of the AICPA).

1951 After years of lobbying efforts by the National Society of Public Accountants and others, Circular 230 was revised to allow “qualified persons” other than attorneys and CPAs to practice before the Treasury Department. However, the Treasury Department used the exam prepared and administered by the AICPA as the standard to determine a “qualified person.”

1957 It had become apparent that the current system was not providing an adequate supply of “Representing Agents” to meet the demand.

1958 Russell Harrington, then Commissioner of the IRS, conducted a series of meetings with the Treasury Department and interested parties to revise the rules for taxpayer representation. Radical revisions to Circular 230 followed.

1. The Treasury Department would allow qualified individuals other than CPAs and attorneys, to represent clients before the Treasury Department and the IRS. The qualifying factor would be passing a new Special Enrollment Exam developed and administered by the Treasury Department.
2. Questions in the Special Enrollment Exam would be passed on practical knowledge and special applications in federal tax and tax representation.

- 1959** The revisions of Circular 230 became effective March 15, 1959.
- On June 24-25, 1959, the first Special Enrollment Exam was given and Treasury Cards were subsequently issued to those who passed.
- Now, under the Treasury Card Program, tax practitioners had the same rights and privileges afforded attorneys and CPAs.
- Problem:** Holders of the Treasury Cards did not have a title that signified their accomplishment to the general public. This was extremely challenging because as it was these individuals were limited in the ways they could advertise their services.
- 1959-1965** Individuals, other than attorneys and CPAs who were issued Treasury Cards, were referred to by a range of names; i.e., enrolled tax preparer, enrolled tax practitioner, agent, representing agent, and enrolled agent.
- Those that passed the Special Enrollment Exam needed a title that identified them to the general public as being qualified to represent taxpayers at all levels of the IRS.
- 1966** More revisions to Circular 230 became effective in September 1966.
1. The Treasury Department/IRS agreed to continue the Special Enrollment Exam and provide an official name for these representatives by establishing the “Enrolled Agent” designation.
- 1994** More revisions to Circular 230 became effective in 1994.
1. Enrolled Agents were approved to use the initials “E.A.” to denote the Enrolled Agent title.
- 2000-2002** Discussions within Treasury Department to change the name Enrolled Agent and to bar the use of the term “licensed” to describe an EA’s practice before the IRS.
- 2002** More revisions to Circular 230 became effective July 26, 2002.
1. No change in the name Enrolled Agent and Enrolled Agents are able to continue to use the term licensed.
 2. New rolling renewal cycle with a requirement of a minimum of 2 hours of ethics annually.
 3. Tax shelter provisions were not included in this provision; however, the Treasury announced that it intends on making revisions for the standards regarding tax shelters.

Source: *National Public Accountant*; *Federal Register*; and Treasury Department Cumulative Bulletin #4, 1921.