

**Testimony of Sabina Loving  
President and Owner, Loving Tax Services, Inc.**

**Before the United States Senate Judiciary Committee,  
Subcommittee on Oversight, Agency Action, Federal Rights and Courts**

**Hearing on “Opportunity Denied: How Overregulation Harms Minorities”**

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I thank the Chairman and the members of the Committee for the opportunity to testify about how overregulation harms minorities.

My name is Sabina Loving, and I am the owner and President of Loving Tax Services, a small, independent tax preparation firm in West Woodlawn on the South Side of Chicago. I am the “Loving” in the *Loving v. IRS* lawsuit that successfully challenged the IRS’s attempt to license all tax-return preparers through regulatory overreach.

I’m simply a small businesswoman, trying to stay afloat in this economy while helping people with their tax preparation and building up my community. I should have the right to earn an honest living doing what I love, and so should my employees. Equally important, my customers—not the IRS—should be the ones who decide who prepares their taxes.

Oddly enough, you almost never hear the IRS or anyone else who advocates for tax-preparer licensing talk about me or my two co-plaintiffs when they talk about the *Loving* case. It’s as though they forget that we’re real people who were actually being harmed by the IRS licensing scheme. In fact, there are about 300,000 independent tax preparation entrepreneurs like us, many of whom would have been forced to close their business by this IRS power grab.

So today, I’d like to share my story with you, to help you understand how overregulation affects real entrepreneurs like me, why I sued the IRS over its anti-competitive licensing scheme, and why Congress should not pass legislation granting the IRS statutory authority to license tax preparers.

I am a lifelong Chicagoan who is blessed to earn a living doing what I love: helping people with their taxes. In 2011, I opened my business, Loving Tax Services, in West Woodlawn, where there are high unemployment and foreclosure rates. My business was the first to occupy its storefront in at least a dozen years, and I’ve been fortunate enough to employ several people in my community and bring money back into our neighborhood.

Ever since I was a little girl, I wanted to be an accountant and work with numbers. I dreamed of one day starting my own business. I worked hard to make that dream a reality. I worked full-time as an accountant for major Future Commission Merchants

from 1994-2006 while simultaneously earning my undergraduate degree in Business Administration. In 2006, after my company was acquired, I decided that I wanted to pursue a career as a mortgage broker, so I resigned my position. The economic downturn hit my industry hard, so I went back to work for a precious metals brokerage firm until I was laid off in 2009. I decided to use that as an opportunity to realize my American Dream and put myself to work as an independent tax preparer, while earning a Master's degree from Roosevelt University. I incorporated Loving Tax Services in 2010 and never looked back.

Everything I've done for my business has been right out of my pocket. But I worked hard and was able to attract customers who appreciated that I met with them in person and provided personalized service. After my business grew a bit, I hired a few employees to assist me. But tax preparation is a seasonal industry, and my business model depended on flexibility—I needed to be able to expand seasonally to accommodate demand, while not paying fixed costs for salaries all year long. Fortunately, I was able to find qualified people who could assist me seasonally, and my business began to grow.

But just as my business was really taking off, I learned that the IRS was going to force tax preparers to jump through a bunch of hoops in order to be allowed to continue earning a living preparing taxes. The IRS called it the registered tax return preparer (RTRP) program, but it was not a mere registration requirement.

For the first time in 100 years, the IRS was imposing a license to prepare tax returns, something that anyone had always been able to do for themselves. We would have to pass an IRS-mandated exam and complete continuing education requirements each year. This RTRP license would give the IRS great control over tax preparers, making us dependent on the most powerful federal agency for our livelihoods.

I knew it would also impose additional costs and burdens on my business, hundreds or thousands of dollars per employee, which I would have to pass on to my customers in the form of higher prices. I pride myself on offering more affordable tax preparation services than major tax preparation firms. I didn't want to raise my prices, but I couldn't afford to have my fledgling business make any lower profits.

Higher prices also mean fewer customers, and I knew that if my business shrank, I wouldn't be able to hire as many people during tax season to assist me. That would put me at a competitive disadvantage to the major tax preparation chains, because they benefit from economies of scale and can more easily absorb these new costs. They were likely to get the customers I was going to lose.

But this licensing requirement didn't apply to everyone. CPAs and attorneys were exempt, even if they had never taken a course in tax law or tax preparation. Most attorneys have no experience or special knowledge about preparing tax returns. And many CPAs aren't tax experts either; a large number focus on corporate audits, not tax preparation. But if they wanted to prepare taxes on the side, they wouldn't need a

license. The IRS had absolutely no data to support this exemption; nothing indicated attorneys or CPAs made fewer errors on tax returns than anyone else.

Meanwhile, I had spent over a decade working as an accountant for major financial firms and was a member of the American Institute of Professional Bookkeepers. But I was not a CPA. So I wasn't exempt.

Not only was that unfair, but powerful industry groups lobbied for another exemption: anyone who was being *supervised* by an attorney or CPA could also prepare tax returns without a license. But I wanted to hire more employees and supervise them as tax preparers so that I could expand my business and serve more of my community. But I didn't have powerful lobbyists working for me, and I didn't help write the rules, so I didn't get a special exemption. Because I'm not a CPA or an attorney, even if I got the RTRP license, anybody I employed as a tax preparer would also have to go through this costly and time-consuming process of becoming an RTRP.

And I also knew that this new license would not do anything to protect consumers—there are already all sorts of laws on the books that do that. Instead, it protects big tax preparation chains and special interest groups from competition by smaller businesses like mine, many of which would be forced to close or shrink their business. The end result would be fewer options and higher prices for taxpayers.

So that's why I and two other independent preparers sued the IRS. We were represented *pro bono* by lawyers at the Institute for Justice. Thankfully, we won in district court, and then we won again on appeal in the D.C. Circuit. The IRS power grab was stuck down, and the license never fully went into effect.

But the IRS and big tax preparation chains keep pushing for Congress to expand IRS power and authorize it to license tax preparers. After we won our case, several bills were introduced that would do just that. Just two weeks ago, the Senate Finance Committee announced one such proposal. But a national license for tax preparers was a bad policy then, and it is bad policy now. It is anti-competitive, anti-consumer, and will hurt small businesses. I urge the Senate not to give the IRS any more power and to vote against any bill that would authorize the IRS to license tax preparers.

Thank you very much for the opportunity to testify before this Committee.