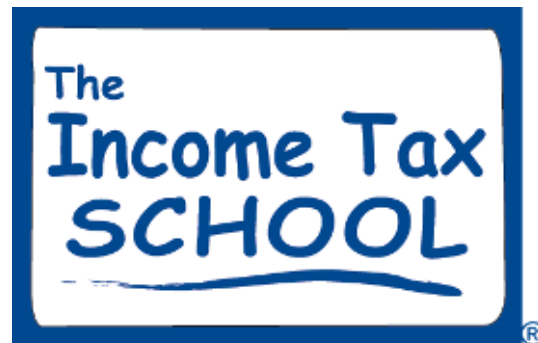


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Value**

FREE GUIDE TO RECRUIT & TRAIN TAX PREPARERS



*Charles E. McCabe
President & CEO*

RECRUITING AND TRAINING TAX PREPARERS

When I began my career in the tax business over 40 years ago, getting good tax preparers was not very difficult. My employer, H & R Block, Inc., had developed their income tax school a few years earlier as an ingenious method of recruiting and training tax preparers to support their rapid expansion. As a district manager and later a regional director, I was able to find plenty of good people who were willing to pay to take the Basic Income Tax course with no guarantee of employment. We could observe the students in class for several months and determine which graduates we would hire based on grades, participation, attitude, attendance, punctuality and other qualities demonstrated in the classroom. We rarely had trouble staffing our seasonal offices with intelligent, competent, friendly people whom we had taught to prepare tax returns. Today, virtually all national tax firms and many regional and local tax firms offer income tax classes to recruit and train tax preparers. Obviously, operating an income tax school has become recognized as a “best practice” for growing mass market tax preparation firms. Although the income tax school may still be the best way to recruit and train seasonal tax preparers, the environment is much different today.

Today’s Personnel Challenge

In recent years, finding and keeping good employees has been a major challenge for most businesses, and tax preparation firms were no exception. Low unemployment rates created stiff competition for employees and drove wages higher. Fundamental demographic and economic trends reduced the available pool of prospective employees, especially for tax firms. Stay-at-home parents and early retirees had always been prime candidates for employment during tax season. But increases in two-wage-earner households and full-time post-retirement careers have caused these pools to shrink. Employees are working longer hours and being paid more. With less spare time and more money, part-time jobs are not as appealing to many workers. At the same time, more tax firms have been operating income tax schools and competing for fewer prospective students. Fortunately for tax firms and many other employers, the recent economic downturn is resulting in lay-offs that will free-up workers. Without an adequate staff of qualified trained tax preparers, a tax firm cannot grow.

Even with more people looking for jobs, it is not likely that many experienced tax preparers with availability for the three month tax season will be answering help wanted ads. Many people who respond to help wanted ads believe they know taxes because they’ve prepared their own returns and, perhaps, those of some friends and relatives. But unless they’ve recently prepared a volume of tax returns for the general public, their tax knowledge may be dated and limited. Temporary employment agencies tend to provide the same level of inadequacy. Good tax preparers are loyal to their clients and, due to employment contract non-compete provisions, they usually can’t bring their clients with them. Hiring an experienced local tax preparer that has left his clientele behind often results in acquiring someone else’s problem. At the very least, the employee may have to unlearn some bad habits. Occasionally we’ve been lucky and picked up a good experienced tax preparer, usually someone who has just moved into town. Finding good people who are interested in tax preparation and teaching them taxes is still the best way we’ve found to staff our growing tax business.

Identifying the Best Tax Preparer Prospects

The best prospective tax preparers are not necessarily accountants. Accountants and other financially oriented professionals tend to be more numbers-oriented than people-oriented. Taxation is not accounting; it is law. Preparing tax returns is a very personal process that requires someone with strong people-skills to satisfy their clients. To the client, the interview *experience* can be just as important, if not more so, than the tax preparer’s knowledge. That’s why I named my company Peoples Income Tax.

Amazingly, the trademark search firm I hired when I founded the Company in 1987 could not find another income tax firm named Peoples anywhere in the United States! We look for individuals with strong people-skills and we teach them taxes.

Clients don't like to see new faces every year. Most clients want to establish a relationship with a tax preparer that will be available year-after-year. Ideally, the tax preparer will also be available to handle any tax problems and questions during the off-season. Continuity of tax preparer may be less important to low-income clients who seek fast refunds and are primarily concerned with convenience, cost and speed. However, relationships are important to everyone. Also keep in mind the high cost of training and developing a new tax preparer. High employee retention is difficult to attain when you can offer only seasonal employment.

The best long-term tax preparer prospects are people whose personal needs can be met through seasonal careers, such as:

- (1) Homemakers with young children in school
- (2) Early retirees who like to travel or spend time with their grandchildren during the summer
- (3) Financial services professionals who can make their own hours and benefit by meeting prospective clients
- (4) People with complementary seasonal occupations
- (5) Moonlighting professionals who want to earn extra money
- (6) College seniors and graduate students who need business experience, and
- (7) Blue-collar workers who want to break into a new white-collar profession

Look for people who see tax preparation as a rewarding career because they like to help others, and avoid hiring someone whose primary motivation is money. You want people who are likely to stay with you for years. Hiring someone who is "between jobs" may provide a quick fix to a personnel shortage. However, unless you can reasonably expect the person to return next tax season as a part-time tax preparer (after finding a year-round job) this will usually prove to be a poor hiring decision. Such dilemmas can be prevented through proper planning and preparation during the off-season. The best strategy is to find good people with the desired qualities and interest and teach them to be tax preparers. This can be accomplished by operating your own income tax school, or by arranging for your candidates to complete an income tax course offered elsewhere (either in-class or by correspondence).

Sources of Good Tax Preparer Prospects

- (1) **Help wanted advertising** usually comes to mind first. Classified help wanted ads are inexpensive and can be effective. The major local newspaper, as well as local printed employment guides and Internet job listing sites should be considered. If your city has a daily newspaper, advertise only on Sunday (or Saturday if the newspaper is published only six days a week). Remember that your candidates don't know they want to be tax preparers or students. You are offering a rewarding seasonal career, with flexible hours and pleasant working conditions, using computers and interacting with people. You are not seeking accountants, although some accountants may be interested and, if they have good people skills, qualified. Remember that many people who read help wanted ads are looking for a job now (especially students), and may not have the patience to take a tax course in the fall to qualify for a job starting in January.
- (2) **Temporary Employment Agencies** may seem like viable a solution to the need for temporary help, but the reality is they usually can't meet the needs of tax preparation firms. Most accounting and finance professionals registered with temporary employment agencies are not experienced in preparing individual tax returns for the general public and would need to complete a tax course to become qualified. Occasionally temp agencies have former employees of Block or other mass-market tax preparations firms. However, as previously noted, unless the tax preparer recently

moved into town, you may be picking up someone else's problem, for a higher hourly rate! In a competitive market, you might find a temp agency that is willing to recruit and screen prospects to attend your tax school without compensation as a requisite for being placed with you after graduation. But you should be able to find tax school candidates without their help. Also remember that employing a temp is like hiring someone who is "between jobs" and your clients don't like to see different faces each year. Although the higher hourly rate of a temp includes payroll taxes and benefits, and the agency handles the screening and hiring, you are still paying the extra cost of the agency's profit.

Using a temp agency could be more effective for fast refund offices. As a source of professional tax preparers, I think an agency should be your last resort.

- (3) **Employee Outplacement Services** provide assistance to employees who have lost their jobs due to restructuring and downsizing. Some services are private businesses to which employers refer their displaced employees, and often pay the fee to ease the transition. Some larger employers provide in-house outplacement services. In addition, many communities have outplacement services provided by nonprofit organizations. Your state unemployment agency might also make their clients aware of job opportunities you offer. Often displaced employees are nearing retirement and could make good long-term seasonal tax preparers. All such services should be contacted and made aware of your seasonal employment opportunities.
- (4) **Women and Senior Support Groups** often provide career services for their members. Listings for such groups might be found in your local Yellow Pages directory under headings such as "Associations," "Senior Citizens Service Organizations" and "Women's Services & Organizations." Your local Chamber of Commerce might also be able to provide a directory of social service organizations for you to contact.
- (5) **The Military** is a source of prime candidates for second careers in tax preparation. If there is a military base in or near your community, you should contact the career services officer. Some of our best long-term office managers are retired military officers.
- (6) **Colleges and Career Schools** should also be contacted. Establish relationships with business school faculty members who are in a position to refer their best students to you to obtain practical career experience. Make the school career services office aware of your job opportunities. Most private career schools need to demonstrate a high level of career placement to maintain their state license requirements and provide statistics for their literature.
- (7) **Your Clients** may be one of the best sources of prospective tax preparers. We've always promoted our income tax school to our clients by displaying posters and tax school brochures in our tax office reception areas. We ask our tax associates to make clients who they feel would be good as tax preparers aware of opportunities and encourage them to take our tax course. During the height of the personnel shortage, we sent letters to all prior clients making them aware of our income tax school and offering tuition scholarships for any client who wished to take the course. We required only that they pay for the cost of their books and materials. This letter produced more students and employees than all of our paid advertising. Who would be a more positive employee than a satisfied client of your tax firm?
- (8) **Employee Referrals** are always an excellent source of good new employees. Your employees should be encouraged to refer prospective employees to you. Many companies offer substantial financial rewards for referrals that result in new hires. One suggestion is to offer a finders fee equal to \$10 times the average hours worked per week during tax season by a referred employee

who successfully completes the tax season. Our employees are also authorized to award full-tuition scholarships to people who they know would be qualified and willing to become employees upon successful completion of our Comprehensive Income Tax Course. Again, the scholarship student is required to pay the cost of the books and materials. As long as there is room in the class for another student, this costs the company nothing.

Training Tax Preparers

Your tax preparers will be much more productive and less frustrated when the pressure is on if they receive proper training. Tax preparer training should include four elements:

- (1) Income tax school, where they learn how to correctly prepare Federal and local state income tax returns and interview clients (We incorporate interview training into our tax school).
- (2) Pre-work training in your firm's policies and procedures, including customer service
- (3) Computer tax software workshop training, with computers available to students (1-3 students per computer), and
- (4) On-the-job training under the supervision of you, your office manager or a veteran tax preparer. Schedule on-the-job training early in the season before the office gets busy. Have new tax preparers prepare practice tax returns, by computer, using tax school problems, your tax software firm's tutorial and/or actual prior year file copies of tax returns.

How to Set Up a Tax School

To operate your own tax school, you will need the following:

- (1) A qualified instructor
 - (2) A course curriculum
 - (3) Instructional materials
 - (4) A classroom, and
 - (5) A plan to recruit students
- (1) **The instructor** should be you or a veteran tax preparer of your firm who has good communication skills. Adults are much easier to teach than children. If you are a good manager and have solid tax knowledge and experience, you should be a good tax schoolteacher. If you charge tuition, your firm may need to be licensed as a private career school (check the laws in your state). Many tax school operators offer their courses tuition-free to avoid licensing, and they charge a fee for books and materials to cover their costs. If you are operating a licensed tax school, your instructors may have to meet education and/or experience requirements of the licensing agency. Be sure to research the laws governing private career schools in your state.
- (2) **The Course Curriculum** is a critical element. Peoples' The Income Tax School Comprehensive Income Tax Course is comparable to the basic income tax preparation courses offered by H & R Block and Jackson Hewitt. The course consists of twenty 3-hour lessons, ideally taught over ten weeks (two morning or evening classes per week). The curriculum covers Form 1040 and all related schedules and statements. More complex subjects, such as sale of property and self-employment are not covered in-depth in the Basic course. A 10 lesson short-course version is also offered by Peoples to train tax preparers who will be limited to preparing basic income tax returns or processing Refund Anticipation Loans. The short course covers the basics of Form 1040 including Schedules A & B and Form 2441, as well as Form 1040A, 1040EZ, EITC, E-filing and IRS Due Diligence. Corresponding local state and locality income tax preparation should be taught along with the Federal. Peoples' curriculum also includes taxpayer interviewing techniques. Subjects should be presented in a logical sequence, beginning with the basics and

gradually progressing to more complex tax return situations. The course curriculum should also include in-class exercises and quizzes, homework problems and reading assignments, plus mid-term final exams. Students should not be permitted to use computer tax preparation software to do their tax course problems. Graduates can be taught how to use your tax preparation software before they are scheduled to prepare tax returns. Tax preparers should be encouraged or required to complete advanced continuing professional education (CPE) annually after completing the basic course and working as tax preparers. Peoples Income Tax offers advanced courses for in-house instruction.

- (3) **Instructional materials** can be developed in-house or purchased. Students should have access to reference books. A comprehensive reference such as the Commerce Clearing House (CCH) *U.S. Master Tax Guide* can be used as a text. However, for a basic tax course, IRS Publication 17, *Your Federal Income Tax* is the best reference book. The student course text should include a syllabus (course outline), student survey and evaluation forms, a lesson-by-lesson summary of the subjects emphasizing key points, special advice and interview tips for tax preparers, examples, illustrations, tables and charts, in-class quizzes, homework problems, reading assignments, and a glossary of tax terms. Students will also need an ample supply of blank tax forms to work out all of the problems in the course. Another critical element is the Instructor's Manual, which should include lesson plans with examples to use in class, key points to emphasize, role playing exercises (to teach interview techniques), and student attendance and achievement forms. The Instructor's Manual should also have answers to all student text quizzes, problems, homework assignments and mid-term & final exams, plus grading criteria. It is highly recommended that before each lesson the instructor read the reading assignments and do the problems assigned to the students to properly prepare to teach the lesson. The instructor should also be provided with a chalk or white board with supplies, plus an overhead projector and transparencies of all tax forms to be covered in the course. As an alternative to the overhead projector and transparencies, an LCD projector can be used to show completed tax returns and forms prepared by computer. A white wall or a large window shade can be used as a projection surface. The Income Tax School materials include a tax school Operator's Manual, Instructor's Manual, Student Manuals, tax forms, and reference text CDs. Transparencies and marketing materials are optional.
- (4) **The Classroom** does not have to be fancy, but it should be functional, comfortable and clean. A large open room is ideal. A conference room can also be used. Folding tables should be provided for students to open their books in front of them. Three students can fit at a 30" x 72" table and two can fit at a 24" x 48" table. If you have a large group, the 24" x 48" tables take up less space and are easier to arrange. Tables can be configured in rows, a U-shape, or like a conference table. Folding tables are inexpensive and can be purchased from suppliers such as OfficeMax, Staples, Home Depot, Costco and Sam's Club. Most tax offices have enough chairs, but additional inexpensive stacking chairs can be purchased if needed. Furniture can also be rented or borrowed. If your office is not large enough, you will need to find an outside classroom. A hotel meeting room is an option, but, unless you can work out a special deal for multiple 3-hour sessions, a hotel may be cost-prohibitive. A better alternative may be to reserve a room, for minimum or no cost, in your local community center, chamber of commerce, YMCA, Knights of Columbus, library, school or church. If this fails, you might be able to use the conference room of another business, or a vacant office or store.
- (5) **Your plan to recruit students** would include the suggestions made earlier in this article. The Income Tax School package includes optional marketing materials (prospective student brochures, window banners, posters, sample ads, and inquiry & follow-up forms). A successful student recruitment campaign involves a multitude of activities. The key strategy is to think about organizations and places where you will find the ideal type of people you want as long-term

employees. Then you should determine how to reach them with information about your opportunity, and how to entice them to consider enrolling in your tax course.

Alternatives to Operating Your Own Income Tax School

If you lack the resources or time to operate your own income tax school, or if you need only one or two employees, there are other options. Many tax firms send their employees to tax courses operated by national or local competitors. Students sponsored by competing tax firms often enroll in our basic and advanced tax classes. We don't mind as long as they pay full tuition and don't try to recruit our other students. Some colleges offer practical courses in income tax preparation, but most college tax courses focus more on theory than application, and they rarely cover state income tax preparation. Yet the foundation provided by a college tax course can reduce the amount of additional training needed. We have seen two or more local tax firms pool their resources to jointly offer a tax course. One firm might provide the teacher, while the other provides the classroom. Both firms can share in the cost of advertising, promotion and instructional materials. This strategy will work best if the firms are not competing head-to-head for clients in the same local market.

Distance learning is another option. Employees can complete a home-study tax course, although independent learning requires greater self-discipline and many home-study students do not finish. However, with encouragement and support from you as the employer, the success rate should be much greater. Each year, The Income Tax School enrolls a number of online students nationwide through its Basic, Comprehensive and other tax courses that are available via the Internet. Visit The Income Tax School website at www.theincometaxschool.com for more information.

Apprenticeships represent another option. You and/or another veteran tax preparer could work with a college student or receptionist to teach the understudy taxes on the job. This may be a slow process, and it requires patience; but the result could be a highly qualified, loyal tax preparer that has learned tax preparation the right way!

Guerilla Tactics

Suppose tax season is just around the corner and you realize that you will not have enough tax preparers to staff your office. Maybe a key tax preparer decided not to return; or worse, you've learned that he is going into competition with you and will likely solicit your clients whom she served last year. If you'd properly planned and prepared, you wouldn't be in this situation. You should have had your tax preparers sign employment agreements including a legally enforceable non-solicitation provision. But if you are in such a predicament, what can you do?

It's time to use guerilla tactics. Fortunately, some qualified tax preparers seem to "come out of the woodwork" during December and January. You should run prominent help wanted ads for *experienced* tax preparers (refer to the previous section on help wanted advertising). If ads are grouped by job title, run separate ads under both "Accountants" and "Tax Preparers." Advertise continuously through mid-January. Obtain a mailing list from a list broker or tax industry supplier of tax practitioners within commuting distance of your office(s) and send out a job opening notice on your letterhead, assuring complete confidentiality for respondents. Contact reputable temp agencies that place accounting and financial professionals for experienced tax preparers. Be very specific as to the tax preparation experience you require. Screen prospects by phone and schedule qualified candidates to take a tax test in your office (our tax school Operator's Manual includes a test of basic tax knowledge). Most applicants who come to us from help wanted advertisements fail our tax test and realize that they need to take an income tax course to become qualified. If you need several tax preparers, consider conducting a free accelerated income tax course for job applicants, including daily lessons over a two or three week period.

Schedule the successful graduates for additional training in your computer software and company policies and procedures. If your practice includes fast refund returns (Refund Anticipation Loans, Electronic Refund Checks, etc.), you could conduct a "Short Tax Course" to train people to prepare only those basic returns and, thereby, free-up your senior preparers to handle only the more complex returns. The Income Tax School offers a QuikStep 1040A course that can be used for this purpose.

You should also take measures to maximize the productivity of your existing tax preparers by providing them with adequate tools to do the job, including tax office assistants to greet clients, schedule appointments, answer telephones, pull files, conduct pre-interviews and process and transmit tax returns. Ask experienced tax preparers to work extra hours. If you have part-timers who are employed full-time elsewhere, they may be willing to take vacation time from their regular jobs during peak periods. If you serve walk-ins, call your prior clients to schedule appointments and spread out your work load. Ask your priors to come in during slower days and times. Take drop-off returns and complete them after hours. Extend your office hours. In short, do whatever it takes to serve your clients and keep from losing business. After you get through the tax season, begin planning early so you will not be in this situation again next year!

Conclusion

Finding and keeping good tax preparers is essential to building and growing a quality tax service. Qualified seasonal tax preparers are scarce and competition for experienced tax preparers is stiff. Experienced tax professionals command a high price and may not become your best long-term employees. Retention of tax preparers is essential to maintain client relationships and contain recruiting and training costs. A proven "best practice" is to operate an income tax school to recruit and train entry-level tax preparers and provide continuing professional education for experienced tax preparers. There are alternatives to operating your own income tax school, but "growing your own" tax preparers is the best way to ensure an adequate staff of competent, people-oriented tax preparers who will continue year-after-year to serve your valued clients. Support is available from Peoples Income Tax, Inc., and other sources.

Hiring Seasonal Tax Preparers

In the tax business, as with any other service business, people represent the greatest expense and the greatest source of frustration, as well as the greatest opportunity for business success. Our employees deliver the services for which we are paid and they represent our business. Making bad hiring decisions can be very costly. The following are key considerations that are unique to or especially important in the income tax preparation business when hiring tax preparers:

People Skills

Years ago when I relocated from Baltimore to become director for the New York City region of a national tax firm, I was faced with a major problem. The client retention rate for the New York City Region was 65%, compared to 80% for the mid-Atlantic region I had just left, and 75% average for the U.S. This meant that 35% of last year's clients would have to be replaced with new clients before the region could show any growth. To determine the root of this problem, I instructed my district managers to calculate the client retention rate for each individual tax preparer who worked in the 200+ offices of the region. The results were alarming! Many of the tax preparers who looked like superstars on paper had client retention rates of 65% or lower. I refer to these preparers as "tax technicians." They took pride in preparing accurate tax returns. They were reliable, they did their daily reports and their share of checking, and they got the money in the bank. Everything looked great, except they were not pleasing their clients. Why? Their primary motivation was to make as much as possible in commissions, and they lacked people skills. I've observed such tax technicians while visiting tax offices and sitting in the "waiting area" (which we prefer to call the reception area). They were oblivious to my presence, or to the clients entering the office, or any who walked out due to the frustration of not being acknowledged and having to wait too long. They didn't care, as long as there were still enough clients to keep them busy making money. They were often arrogant, aloof, or even bigoted. Even though many of the clients were not highly educated, they were not stupid. They knew when they were not being treated with respect. Why would they want to come back next year?

So, the first lesson in hiring tax preparers is to hire individuals with good people skills. I would argue that people skills are more important than tax knowledge, because you can teach tax knowledge. What happens when one of your clients gets a letter from the IRS resulting from an error made by your seasonal tax preparer? If the preparer was a tax technician, your client will probably never return. But if the preparer made the client feel good about the interview experience and demonstrated genuine care and concern for the client's welfare, the client will most likely be back, as long as you resolve the problem.

Tax Knowledge

Obviously your seasonal tax preparers need tax knowledge, both Federal and, at least, local state. They don't need to know everything about all the tax laws; nobody does. However, they do need an awareness of all of the tax laws pertaining to the types of returns they will prepare. And they must know how to research the tax laws to be able to reach the correct conclusions to tax situations they encounter in areas of the tax law in which they are not well versed. In addition, tax preparers need strong interviewing skills.

Many people who respond to help wanted ads for experienced tax preparers believe they know taxes because they've prepared their own returns and, perhaps, those of some friends and relatives. But unless they've recently prepared a volume of tax returns for the general public, their tax knowledge may be limited or dated. The solution my company has developed for this problem is to require each new tax

preparer job applicant to take our “Test of Basic Tax Knowledge,” which is provided at the end of this guide (Exhibit A) to assist you in the hiring process.

Availability

Another important consideration is the availability of part-time employees. Tax preparers will be needed to work evenings and weekends, as well as extra hours during peak periods, to accommodate as many clients as possible during the short tax filing season. Part-time (evening and weekend) preparers should be willing to work at least 16 hours per week over at least three non-consecutive days, plus extra hours during peak times. Generally you will need at least two part-timers for every full-time tax preparer. Be sure to hire more people than you will need. Invariably, someone will come down with the flu, have a personal conflict, or quit, right when you need their help the most.

Conflicts of Interest

Always ask tax preparer job applicants if they personally prepare tax returns for pay. A tax preparer, who works for you, while also preparing returns on the side, constitutes a potentially serious conflict of interest. We require all tax preparers (including full-time, year-round employees) to sign an employment agreement which includes non-compete, confidentiality and non-solicitation provisions. Contrary to popular belief, non-compete provisions can be enforced in most states, provided that they are deemed by the court to be “reasonable.” To meet the test of reasonableness, the provision must not: (1) unreasonably restrict the employee from pursuing his or her livelihood as a tax professional, (2) impose restrictions within an unreasonably large geographic area, or (3) impose restrictions for an unreasonably long period of time. In drafting a non-compete provision, you should consult with a local attorney with expertise in the labor laws and courts in your state and locality. Confidentiality and non-solicitation provisions can be even more important than non-compete provisions, because they are usually more enforceable and are just as effective in preventing former employees from stealing your customers. Remember that even taking a list of clients and their contact information out of your office is a violation of a confidentiality agreement (as well as IRS Section 7216 privacy regulations). If we want to hire someone who prepares tax returns for a relatively few long-term loyal clients, we will ask the person to provide a list of those clients’ names and social security numbers and prepare an addendum to the employment agreement excluding them from the restrictive provisions. Finally, be sure that each new-hire is both legally and morally obligated to not take your clients if he or she decides to leave or is fired. Most people have good intentions when entering into an employment agreement, but employees sometimes become disgruntled and leave. Employees who sign employment agreements without understanding fully the provisions, by which they are legally bound, may feel morally justified to not honor their contracts. Avoid being in the position of having to take legal action by explaining, in detail, all employment contract provisions and confirming that every tax preparer you hire understands and agrees to your terms and conditions.

Taking On Your Competitors’ Problems

Good tax preparers are loyal to their clients and, due to restrictive employment contract provisions; they usually can’t bring their clients with them. Starting over with a new employer usually means taking a cut in pay as well. Hiring an experienced local tax preparer who has left his or her clients behind often results in acquiring someone else’s problem. At the very least, the employee may have to unlearn some bad habits. Occasionally we’ve been lucky and picked up a good experienced tax preparer, usually someone who has just moved into town.

Finding Good Tax Preparers

Sources of good tax preparer prospects include organizations that serve the kind of people who you are seeking, such as women and senior support groups, the military, employee outplacement services, colleges, universities and career schools. Help wanted advertising might produce a few experienced tax preparers who tend to “come out of the woodwork” in late December and early January each year. Most of the applicants from help wanted advertising will fail the Test of Basic Tax Knowledge. However, they usually have some knowledge, as well as the aptitude and interest in becoming tax professionals; and they can often be trained. Temporary employment agencies will produce about the same results as your own help wanted ads, except that the hourly rate will include the extra cost of the agency’s profit. Using a temp agency could be more effective for fast refund offices. Referrals by employees are an excellent source of good new employees. Encourage your employees to refer qualified prospective employees to you.

Your clients may be one of the best sources of prospective tax preparers. You’ve probably had clients come in from time-to-time with their taxes already correctly prepared. They may come to you simply to gain the peace-of-mind of knowing that you have checked and verified their calculations and that you will be available to help should they get a letter from the IRS. Who would be a better ambassador for your tax firm than a satisfied client who chose to come to you over all of your competitors?

Other Considerations

Many good sources of general advice in screening, interviewing, psychological testing and hiring employees to avoid costly mistakes can be obtained, often at little or no cost. Search the Internet, visit your local library, and ask for advice from organizations such as your local Chamber of Commerce, Retail Merchants Association, Small Business Development Center, or Human Resources Professional Association.

Conclusion

You should hire only employees who are people-oriented and want to prepare tax returns not only to earn money, but because they like the challenge of tax preparation and want to help people. You can often teach taxes to someone with good people skills, but it is unlikely that you will succeed in teaching people skills to someone who doesn’t care about others or who cannot relate to and have empathy for people from all socioeconomic backgrounds. Make sure the people that you hire have adequate tax knowledge to prepare tax returns for the general public. Avoid hiring tax preparers who have been rejected by your competitors. Let your rejects go to work for them instead! Also avoid potential conflicts of interest and be sure that every tax preparer understands, agrees to and signs an employment agreement including non-compete, non-solicitation and confidentiality provisions. Screen all applicants carefully to ensure that they have the skills, availability and qualities necessary to deliver quality client service and create real client value and satisfaction. This will help you to generate more referral business and attain a higher client retention rate. Focus on building a staff of tax preparers who are satisfied with a seasonal career, are not only motivated by money, and who will stay with you year after year.

TEST OF BASIC 2009 FEDERAL INDIVIDUAL INCOME TAX KNOWLEDGE

Name: _____

Date: _____

Part I			
Are the items below itemized deductions? Answer each with yes or no.		Yes	No
1	A gift of charity to a needy person.		
2	Prior year state tax balance due paid in this calendar year.		
3	Minimum education necessary to obtain a job in your profession.		
4	Federal income tax withheld from wages this year.		
5	Verifiable gambling losses to the amount of gambling winnings included in income.		
6	Vitamins for general health maintenance.		
7	Union dues.		
8	Interest paid on a loan to purchase municipal bonds.		
9	Tolls and parking related to your commute to work.		
10	Home mortgage interest paid to a private individual.		

Part II				
Where would the items below be reported? Match each numbered item in Column A with the correct lettered item from Column C. <i>Enter your response in Column B.</i>				
Column A		Column B - Response	Column C	
1	\$3,550 of interest from Series E bonds		Form 2106	Form 1040
2	Sale of mutual funds or stock		Form 2441	Form 3903
3	Alimony paid		Schedule D	Schedule L
4	Sale of capital asset		Schedule M	Schedule A
5	Unreimbursed employee mileage		Form 1040	Form 1040A
6	Unemployment compensation		Schedule B	Form 8606
7	Self-employment tax due		Schedule E	Form 8332
8	Income for rental property		Schedule F	Form 4684
9	Amount paid for qualified childcare		Schedule SE	Schedule C
10	Profit or loss from non-farm business		Schedule D	Schedule H

Part III	
1	How much per mile may a taxpayer deduct for medical mileage?
2	What is the maximum nonworking spousal IRA contribution?
3	Provided a taxpayer with a child does not remarry, how many years following the year the spouse dies may the taxpayer file as Qualifying Widow/Widower?
4	What is the 2008 allowance amount for a personal exemption?
5	Schedule B must be filed if the interest income exceeds what amount?
6	Are child support payments ever taxable?
7	Name two requirements that must be met for a taxpayer to be able to claim a credit for child care expenses?
8	How long must the taxpayer's child live with him to enable the taxpayer to claim the earned income credit?

9	What are two consequences of receiving a distribution from an IRA before a taxpayer is 59.5 years old, becomes disabled, or dies?
10	What is the maximum capital loss that a taxpayer may take on his return in one year?
11	Where would student loan interest be reported?
12	How long, at a minimum, should records and receipts related to income and deductions be saved?
13	A single taxpayer supports and maintains a home for his mother, who does not live with him. He can claim her as a dependent. The taxpayer lives by himself and has no other dependents. What filing status should he use?
14	What is the maximum amount allowed for the child tax credit for a taxpayer with one child?
15	Can depreciation or a cost recovery deduction be claimed in a year that standard mileage rate is used for vehicle expenses?
16	What is the maximum amount a taxpayer can deduct for business gifts for each year for each customer?
17	Can you deduct interest on a loan for your son's car on Schedule A if you are not responsible for the loan?
18	What is the maximum percentage of Social Security benefits subject to tax?
19	What is the basis of an inherited asset?
20	If an employee has qualified education expenses (including tuition, books, lab fees, and qualified mileage) where are each of these expenses deducted?
21	A taxpayer drove her car 6,000 miles for business this year. She started her business on May 16, 2005. What is her standard mileage allowance for this year?
22	Generally, what is the time limit for filing an amended return?
23	What is the maximum Section 179 deduction a taxpayer may take this year (without regard to the special depreciation allowance)?
24	Can a taxpayer deduct a loss on the sale of a personal residence?
25	What is the maximum deduction an educator may take for un-reimbursed expenses under the adjustment to income?

TEST OF BASIC 2009 FEDERAL INDIVIDUAL INCOME TAX KNOWLEDGE

ANSWER KEY

Part I				
Are the items below itemized deductions? Answer each with yes or no.			Yes	No
1	A gift of charity to a needy person.			x
2	Prior year state tax balance due paid in this calendar year.	x		
3	Minimum education necessary to obtain a job in your profession.	x		
4	Federal income tax withheld from wages this year.			x
5	Verifiable gambling losses to the extent of gambling winnings included in income.	x		
6	Vitamins for general health maintenance.			x
7	Union dues.	x		
8	Interest paid on a loan to purchase municipal bonds.			x
9	Tolls and parking related to your commute to work.			x
10	Home mortgage interest paid to a private individual.	x		

Part II				
Where would the items below be reported? Match each numbered item in Column A with the correct lettered item from Column C. <i>Enter your response in Column B.</i>				
	Column A	Column B - Response	Column C	
1	\$3,550 of interest from Series E bonds	Schedule B	Form 2106	Form 1040
2	Sale of mutual funds or stock	Schedule D	Form 2441	Form 3903
3	Alimony paid	Form 1040	Schedule D	Schedule L
4	Sale of capital asset	Schedule D	Schedule M	Schedule A
5	Unreimbursed employee mileage	Form 2106	Form 1040	Form 1040A
6	Unemployment compensation	Form 1040	Schedule B	Form 8606
7	Self-employment tax due	Schedule SE	Schedule E	Form 8332
8	Income for rental property	Schedule E	Schedule F	Form 4684
9	Amount paid for qualified childcare	Form 2441	Schedule SE	Schedule C
10	Profit or loss from non-farm business	Schedule C	Schedule D	Schedule H

Part III	
1	How much per mile may a taxpayer deduct for medical mileage? .24 cents per mile
2	What is the maximum nonworking spousal IRA contribution for a spouse age 48? \$5,000
3	Provided a taxpayer with a child does not remarry, how many years following the year the spouse dies may the taxpayer file as Qualifying Widow/Widower? 2 years
4	What is the 2009 allowance amount for a personal exemption? \$3,650
5	Schedule B must be filed if the interest income exceeds what amount? \$1,500
6	Are child support payments ever taxable? No
7	Name two requirements that must be met for a taxpayer to be able to claim a credit for child care expenses? Taxpayer & spouse must be employed or looking for employment. Taxpayer must maintain a household that included one or more qualifying individuals. Services cannot be provided by dependent of taxpayer less than 19 years of age. Taxpayer/spouse must be full-time student/disabled.

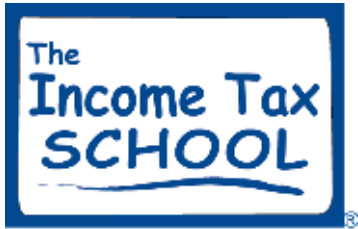
8	How long must the taxpayer's child live with him to enable the taxpayer to claim the earned income credit
	More than 6 months
9	What are two consequences of receiving a distribution from an IRA before a taxpayer is 59.5 years old, becomes disabled, or dies?
	10% early withdrawal penalty. Amount distributed is included in income.
10	What is the maximum capital loss that a taxpayer may take on his return in one year?
	\$3,000
11	Where would student loan interest be reported?
	As an adjustment to income on the first page of Form 1040.
12	How long, at a minimum, should records and receipts related to income and deductions be saved?
	Minimum 3 years after return is filed. Property records as long as needed to prove gain or loss.
13	A single taxpayer supports and maintains a home for his mother, who does not live with him. He can claim her as a dependent. The taxpayer lives by himself and has no other dependents. What filing status should he use?
	Head of Household
14	What is the maximum amount allowed for the child tax credit for a taxpayer with one child?
	\$1,000
15	Can depreciation or a cost recovery deduction be claimed in a year that standard mileage rate is used for vehicle expenses?
	No
16	What is the maximum amount a taxpayer can deduct for business gifts for each year for each customer?
	\$25 per customer
17	Can you deduct interest on a loan for your son's car on Schedule A if you are not responsible for the loan?
	No
18	What is the maximum percentage of Social Security benefits subject to tax?
	85% of the Social Security benefit
19	What is the basis of an inherited asset?
	Generally, the FMV on the date of death
20	If an employee has qualified education expenses (including tuition, books, lab fees, and qualified mileage) where are each of these expenses deducted?
	Miscellaneous deductions, Schedule A (line 19) or Form 8863
21	A taxpayer drove her car 6,000 miles for business this year. She started her business on May 16, 2005. What is her standard mileage allowance for this year?
	\$6,000 x .55 cents per mile = \$3,300
22	Generally, what is the time limit for filing an amended return?
	Three years after the due date of the return
23	What is the maximum Section 179 deduction a taxpayer may take this year (without regard to the special depreciation allowance)?
	\$250,000
24	Can a taxpayer deduct a loss on the sale of a personal residence?
	No
25	What is the maximum deduction an educator may take for un-reimbursed expenses under the adjustment to income?
	\$250

About the author: Charles E. McCabe



Chuck, a 40+year veteran tax industry executive, has managed hundreds of tax preparation offices in the U.S. and Brazil. He earned his B.S. degree in management from Adelphi University of Long Island, NY and Executive M.B.A. from Pace University New York City Campus, where he also completed two years of doctoral studies in business (ABD). He is Founder, President & CEO of Peoples Income Tax, Inc., which operates tax offices throughout central Virginia and licenses tax practice management systems to independent tax practitioners nationwide. Chuck is co-author of two books on career education for adults and numerous articles on adult education, income tax and management. He has taught small business management as an adjunct faculty member of Virginia Commonwealth University. Chuck is also the Founding Chairman of the National Alliance of Tax Business Owners (NATBO) and Tax Business Owners of America.

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