

# Choosing the Right Tax Preparer for You



**By: Charles E. McCabe**

## **Why Not Do It Yourself?**

If you enjoy the challenge of tackling Form 1040 and have ample time to study the tax laws, plus the ability to comprehend them, by all means, you should save money and prepare your own tax return. But if you're like the majority of American taxpayers, the "do it yourself" route could be a costly mistake. Even if you can find time to muddle through the tax laws, you're not likely to learn everything you need to know to minimize your tax bill. Chances are you'll spend many frustrating hours and still wind up paying more than your fair share. Given the complexity of our tax laws and ever-increasing demands on our time, being a once-a-year tax expert is just not practical.

## **What Factors Should You Consider?**

Who you choose as your tax preparer and how much you pay for this service will depend on the complexity of your personal tax situation and your personal preferences. Below are some considerations to help you select the best tax preparer for you.

**Tax Knowledge:** If your situation calls for a "Short Form" (1040A or 1040EZ) and you prefer not to handle it yourself, you won't need a high-priced tax professional. Yet, unless you are interviewed by a relatively knowledgeable tax specialist, you may file on the wrong form or overlook important tax considerations that could save you money. Even if you should file Form 1040A, you might be eligible for tax advantages such as Head of Household status, Child/Dependent Care Credit or Earned Income Credit. Every taxpayer needs an advisor who knows all the questions to ask pertinent to his or her specific tax situation.

**Credentials:** Virginia has no licensing laws for tax practitioners--anyone can "hang out a shingle" and set up shop as a tax preparer. Also, an individual might have credentials generally associated with tax knowledge and not be qualified to prepare non-routine individual tax returns. Relevant education and experience are necessary for anyone to competently prepare the wide array of individual income tax returns filed by the general public. A tax attorney or a CPA who specializes in individual income tax law is obviously qualified. But many CPAs and attorneys learn and practice corporate taxes only. Individual income tax preparation is a complex and specialized field of study. A very significant credential in the field is the Enrolled Agent (EA), attained by passing an intensive exam administered by the IRS, or through experience as a former IRS employee. An EA is authorized to represent taxpayers before the IRS. Another good indicator of individual competence is experience in teaching tax preparation at a recognized school. Regardless of credentials, competent tax preparers must keep current on the ever-changing tax laws through education. Ultimately, knowledge and experience are the best credentials.

**Accuracy:** There can be only one correct result for an individual's income tax returns; the one that yields the lowest legitimate tax, which translates to the smallest tax bill or largest refund possible. Judge Learned Hand, a renowned American lawmaker, once said:

*"Anyone may so arrange his affairs that his taxes shall be as low as possible; he is not bound to choose that pattern which will best pay the Treasury; there is not even a patriotic duty to increase one's taxes..."*

Since anyone can make a mistake, your return should be checked for accuracy, both in math and theory, by a tax specialist other than the preparer. Computerized processing of tax returns helps to ensure thoroughness and accuracy, provided that a good software package is used by a knowledgeable tax professional. However, even tax software programs can have mistakes.

**Professionalism:** Having your taxes prepared can actually be a pleasant experience if you're being served by a true professional; and you shouldn't have to pay a premium for professional service. You should expect a pleasant office atmosphere with a reasonable degree of privacy and comfort. You should also be treated with respect and courtesy. You shouldn't feel as though you're just another number being processed production line style. Of course, your personal and financial information should be held in strict confidence. Finally, the person or firm you select should have unquestionable integrity.

**Personal Service:** Your tax preparer's job is to become thoroughly familiar with your personal financial situation and help you provide the information necessary to minimize your taxes. He or she should inform and educate you on the tax laws affecting your personal situation. This information will enable you to make decisions as to how your return is to be prepared. Your tax advisor should be working to help you avoid problems with the IRS, but should not behave like an IRS auditor. By the end of your interview, you should have no question that all your personal concerns were addressed and your best interests were served. Basically, the best tax preparers are not "tax technicians." They are knowledgeable individuals who have empathy and genuine concern for the best interests of each one of their clients.

**Convenience:** Most people prefer to have their taxes prepared at an office near where they live, shop or work. Many taxpayers can only find time to get their taxes done in the evening, or on a Saturday or Sunday. Fast service is also important to most clients. Some people are willing to pay a premium to have their tax advisor come to their own homes or offices. Others prefer to walk-in at their convenience, and many prefer to make a specific appointment. Convenience is important, but other factors should outweigh convenience when your personal tax situation becomes more complex than average.

**Availability:** Even if your tax preparer meets all of your criteria, will he or she be there for you in the summer when you get a letter from the IRS? Will the tax preparer still be around to help next year, or five years from now when you need tax assistance? A reputable tax preparer will be available year-round, year-after-year to provide assistance with any tax problems or questions. The greatest stability may be available through an established, reputable firm rather than an individual tax practitioner. Yet, most people who seek tax assistance prefer to see the same friendly face year after year. Therefore, a firm that retains its good people for a long time would probably be a good bet, all other things considered.

**Guarantee:** What happens if your tax preparer makes a mistake that costs you penalties or interest? Suppose you are audited by the IRS? What if you are not satisfied with the way your return was prepared? Before you contract with a tax preparer, you should find out the answers to each of these questions.

**Price:** The cost of preparing any tax return can vary dramatically among different tax practitioners. IRS law prohibits tax preparers from basing their fees on the amount of tax refund obtained by the client. Many tax practitioners charge by the hour, others operate from a standard schedule of charges, and

some simply charge “what the traffic will bear.” Higher levels of tax expertise typically command higher fees. Ideally, you will find a tax professional with the level of expertise you need for a price you can afford. Perhaps the fairest basis for setting fees is the complexity of the income tax return, determined by the schedules and statements required. This method enables a price to be quoted in advance that will apply regardless of how long it may take for the tax preparer to complete the return. If your tax return is complicated, a tax practitioner may have difficulty quoting an exact price before conducting a thorough interview. However, your candidate should be able to give you an approximate fee in advance if requested. To obtain a price estimate by phone, be prepared to describe your tax situation in detail. Having last year’s tax return in front of you will help. Most people who inquire about price simply want a “ball park figure” to determine whether the cost will be reasonable and affordable. Be wary of tax practitioners who avoid disclosing the basis for their fees in advance. You should also ask if you will be charged extra for tax information should questions arise later, or for assistance in the event of an audit.

Like any other consumer purchase, unless you obtain a strong recommendation from someone whose judgement you trust, you need to shop around for the best value.

For help with tax preparation or tax planning, check out the Blog and Resources pages at [www.peoplestax.com](http://www.peoplestax.com), call Peoples Tax at 804-204-1040, or email [info@peoplestax.com](mailto:info@peoplestax.com).

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### **About the Author**

Charles E. (“Chuck”) McCabe, a 40+ year veteran tax industry executive, has managed hundreds of tax preparation offices. Chuck earned his B.S. degree (Summa cum Laude) in management and Social Sciences from Adelphi University, an Executive M.B.A. degree from Pace University, and is a graduate of Leadership Metro Richmond. Chuck is founder and CEO of Peoples Income Tax, Inc. and The Income Tax School, Inc. He is a national speaker, teacher and author on small business and tax practice management, and has taught courses at Hofstra University and Virginia Commonwealth University. Chuck was included for multiple years in the Accounting Today “Top 100 Most Influential People in Accounting.” He served on the Boards of the Greater Richmond Chamber of Commerce and the Better Business Bureau of Central Virginia, including a term as Chairman of the BBB Board of Directors. He also served on the University of Richmond School of Professional and Continuing Education Dean’s Advisory Board. He was named by the Small Business Administration as the 1991 Small Business Advocate of the Year. Chuck is also the Founding Chairman of the Virginia Council of CEOs and has served as a volunteer for numerous charitable organizations including Communities in Schools, Junior Achievement and Commonwealth Catholic Charities, where he received the Samuel H. Dibert 2004 Community Service Award. Chuck is Co-author of two published books, *Back to School: The College Guide for Adults* and *New Horizons: The Education and Career Planning Guide for Adults*, and author of the *Guide to Start and Grow Your Successful Tax Business*. Chuck can be contacted by email at [cmccabe@peoplestax.com](mailto:cmccabe@peoplestax.com) or phone at 804-204-1040.

### **About Peoples Income Tax**

**Peoples Income Tax** was founded in 1987 by Chuck McCabe, and has served thousands of Richmond area taxpayers during the past 3 decades. Peoples also provides tax, bookkeeping and payroll services for small businesses. Peoples’ sister company, The Income Tax School (ITS) is an IRS-Approved provider of Continuing Education for tax professionals. As the National Standard for Tax Preparer Training, ITS offers [online tax courses and CE seminars](#). ITS also offers tools to help independent tax business owners become successful, including [Tax Practice Management Manuals](#) and the book authored by Chuck McCabe, [Guide to Start and Grow Your Successful Tax Business](#). For more information, please visit [TheIncomeTaxSchool.com](http://TheIncomeTaxSchool.com), [peoplestax.com](http://peoplestax.com), or call 804-204-1040.

# Choosing a Professional Tax Preparer

## Credentials of Tax Preparer and Principals of the Firm:

- Experience in preparing individual tax returns \_\_\_\_\_
- Education in Individual Income Tax Preparation \_\_\_\_\_
- Professional designations or degrees \_\_\_\_\_

## Accuracy:

- Procedures for checking tax returns \_\_\_\_\_
- Computerized processing used? \_\_\_\_\_

## Personal Service:

- Interviewing procedures and techniques \_\_\_\_\_
- Philosophy of tax preparer/firm \_\_\_\_\_

## Convenience:

- Location(s) of Office(s) \_\_\_\_\_
- Office hours \_\_\_\_\_
- Appointments available? \_\_\_\_\_
- Walk-ins accepted? \_\_\_\_\_

## Professionalism:

- Professional references and affiliations \_\_\_\_\_
- Office atmosphere and privacy \_\_\_\_\_

## Availability:

- Office hours during off-season \_\_\_\_\_
- Policies on providing extra assistance \_\_\_\_\_

## Guarantee:

- Penalty/interest due to preparer error? \_\_\_\_\_
- Audit assistance provided? \_\_\_\_\_
- Satisfaction guarantee? \_\_\_\_\_

## Stability:

- Years in business? \_\_\_\_\_
- Financial resources \_\_\_\_\_

## Fees:

- Basis for determining fees? \_\_\_\_\_
- Approximate fee for your returns (Federal & Virginia) \_\_\_\_\_
- Any charges for additional information/assistance? \_\_\_\_\_
- Any charge for audit assistance? \_\_\_\_\_

## Other:

- What other services or financial products are sold? \_\_\_\_\_

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