

The Top Ten Causes of Taxpayer Pain



By Charles E. McCabe

Our income tax code is a source of great frustration for millions of Americans. The complexities can be mind-boggling even to experts, and are rarely understood by the average taxpayer. However, for the tax system to be fair to all taxpayers, complexity may be a necessary evil. To help taxpayers understand and cope with the frustration caused by our tax system, I've compiled the following "Top Ten Causes of Taxpayer Pain" and my thoughts on how to alleviate the pain, listed in reverse order, with #1 being the most painful.

10. Understanding the Tax Laws

The first Form 1040 introduced in 1913 consisted of 4 pages including 1 page of instructions. By 2017, the Tax Code had grown to nearly 75,000 pages. Even the smartest tax expert cannot fully comprehend and understand all of these laws and regulations without conducting research; even then, there are "gray areas" subject to interpretation. Fortunately, we have access to technical writers and publishers who can explain the IRS code in layman's terms. The Internet is a great source of free tax information, tax calculators and other resources. For taxpayers without the time or ability to utilize these resources, tax professionals are available to help.

9. Preparing Your Tax Returns

This task is certainly unpleasant for most taxpayers, although some people, seem to enjoy the challenge and take pride in figuring out how to apply our tax laws to minimize their taxes. Tax preparation software has made this tedious task easier for many people, especially those with relatively routine tax situations. However, for people with complexities, software is no substitute for tax knowledge. Tax software can only produce the correct result if the correct information is entered. Lower-income taxpayers, especially those without the ability to prepare their own taxes even using tax software or IRS Free File, are often helped by volunteer tax preparers. Approximately half of all US taxpayers pay a professional to prepare their tax returns. Some use preparers because they don't have the ability, some because they don't have the time and many because they simply want the peace-of mind of knowing that their return is prepared correctly and they have a professional to help them to communicate with the IRS if necessary.

8. Finding a Competent Tax Professional

On January 1, 2012, the IRS has implemented nationwide Regulation of Tax Preparers, but the IRS was later enjoined from enforcing the testing and continuing education components of the program. Currently, only tax preparers in California and Oregon must complete annual testing and education. The only current requirement is for all tax preparers to register with the IRS to obtain a [Preparer Tax Identification Number \(PTIN\)](#). However, the IRS has since implemented the voluntary [Annual Filing Season Program \(AFSP\)](#) for "unenrolled" tax preparers (those who are not an Enrolled Agent (EA), CPA or attorney) "to recognize the efforts of non-credentialed return preparers who aspire to a higher level of professionalism." AFSP participants must pass a test to demonstrate competency and complete 15 hours of annual Continuing Education (CE) from an IRS-approved CE provider such as [The Income Tax School \(ITS\)](#). Other factors in choosing a preparer include: (1) professional credentials such as the IRS [Enrolled Agent \(EA\)](#) and the ITS [Chartered Tax Professional \(CTP\)](#) (2) tax preparation experience, (3) policies and procedures to ensure accuracy, confidentiality and security of taxpayer information, (4) fees and how they are based, (5) guarantee, and (6) availability of year-round service at no extra charge.

7. Paying High Tax Preparation Fees

Tax preparers are prohibited by the IRS code from basing fees on the amount of a taxpayer's refund

except for amended returns and taxpayer representation services to recover past taxes. Some preparers charge by the hour and some charge by the tax forms necessary to prepare the tax return. I believe it is more equitable for a tax firm to base fees on the complexity of the tax return rather than an hourly rate because some preparers are more efficient than others. Before choosing, you should compare the fees of at least two qualified tax preparers. As with any purchasing decision, you should not decide solely based on price. Price matters, but what is most important is the value to be realized considering the factors listed in the previous section.

6. Receiving Poor Tax Preparation Service

What can you do if you've had your tax return prepared and you are not satisfied with the result? Or, you lack confidence in the tax knowledge of your preparer? You've already invested your time, so you might ask for a supervisor to review the return to determine if it is correct and explain why the result does not meet your expectation. There might be differences in income, deductions, taxes withheld or estimated payments that could make your refund different than the prior year. If after taking these measures you're still not satisfied, you should not accept the tax return and you should ask for your tax documents to be returned. Some tax preparers may still expect to be paid for their time, but they cannot keep your personal documents. [Peoples Income Tax](#) guarantees satisfaction or you pay no fee.

5. Preparing Dependent Children's' Tax Returns

It may seem as though they depend upon you for everything! If you prepare your own taxes using a tax software package you should be able to easily prepare a dependent child's return with the same software, without an additional fee. [Peoples Income Tax](#) prepares dependent returns for its clients at a 50% discount and prepares Form 1040EZ Federal & full-year resident state returns for only \$25. For such a nominal fee, it may be worth not going through the hassle of preparing a dependent child's returns yourself. Of course, you should make sure your dependent child does not claim his or her own exemption, thus preventing you from doing so. The dependency exemption is most likely worth much more to you than to your child.

4. Negative Tax Consequences of Financial Decisions

Most financial decisions result in a tax consequence and sometimes that result can be costly. Before making any financial decision, you would be wise to seek the advice of a tax professional. Once the decision is made and the tax year has ended, the tax consequence cannot be changed. It is then just a matter of reporting the result and paying any taxes that may have resulted, which could be substantial. Many reputable tax firms, such as Peoples Tax, answer tax questions for clients year-round at no extra charge. Year-round tax help is one of the key benefits of using a reputable tax preparer.

3. Uncertainty as to Whether Your Return was Prepared Correctly

Whether you've prepared your own tax return or have had it prepared by a tax professional, you may not be certain that it was prepared correctly. At [Peoples Income Tax](#) our policy requires that, before it is filed, every tax return must be checked by a tax preparer other than the one who prepared the return. Even the most knowledgeable and experienced preparer can make a mistake. If you have any doubt about the accuracy of your return, a reputable tax preparer should be willing to review your return without charge, as we do at Peoples Tax. When in doubt, it's always a good idea to get a second opinion.

2. Receiving a letter from the IRS

Receiving a letter from the IRS (unless it's a refund check) can be scary for anyone, even me. If you get a letter from the IRS or state taxation department claiming that you owe more tax, you should not ignore it. Unless you completely understand and agree with the findings, you should not accept them

without consulting with a tax professional. The IRS or other tax agency is not always right. Such notices are typically generated by a computer and often the computer is lacking information or has wrong information. Most tax issues can be resolved by mail or phone, by you or your tax professional. At [Peoples Income Tax](#) we help our clients deal with the IRS or state tax department, usually without additional charge.

1. Paying Taxes

Justice Learned Hand, Chief Judge on the U.S. Court of Appeals for the Second Circuit, said, “Over and over again courts have said that there is nothing sinister in so arranging one’s affairs so as to make taxes as low as possible. Everybody does so, rich or poor, and do right, for nobody owes any public duty to pay more taxes than the law demands. Taxes are enforced exactions, not voluntary contributions.” Based on Justice Hand’s comment, it is actually your patriotic duty to ensure that you pay no more than your fair share of tax. If every taxpayer pays his or her fair share, the tax system will work as intended. When taxpayers evade taxes, honest taxpayers end up paying more than they should. A competent tax preparer will ensure that you will pay no more than your fair share of income tax!

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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 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, peoplestax.com, or call 804-204-1040.

