



We expect our stylists to be current with fashion trends, our medical providers respectful of our partners, and our legal council well versed in LGBT issues. We also expect the same level of respect and support from our tax preparers. But how do you choose the right tax professionals?

If this seems like a daunting task, relax. Today you'll learn the ins and outs of choosing a tax preparer. I'll break it down into a logical, step by step process.

## **YOUR REQUIREMENTS**

1. Know a little about your tax situation. Look at last year's tax return.

- What is your filing status?
- Do you have any dependents?
- Are you filing a personal tax return?
- Are you self-employed?
- Are you a member in a partnership?
- Or are you the owner of a corporation?

2. Identify whom do you work best with.

Think of the personality types and style preferences you are comfortable with. Our finances are highly personal and confidential. You want to be relaxed and uninhibited when talking with your tax professional. Consider the following:

- Do you like your service professional to take the reigns and lead?
- Can you work with a person who takes an "in your face" approach?
- Do you prefer a gentle approach?
- Do you like formal business style?
- Would you prefer a laid back person who provides a relaxed atmosphere?

Keep in mind that tax law is often unclear. There may be conflicts between the taxing authorities' interpretation of the law and other supportable positions. Would you like a tax preparer who will resolve those issues in your favor? Or would you prefer a preparer who is overly conservative and makes all the close calls in favor of the IRS?

Keep your preferences in mind while proceeding.



## THEIR CREDENTIALS

It is rare to find professions where the service providers need not be licensed. Unfortunately tax preparation is one of those professions. With the exception of Oregon and California, there are no licensing requirements for tax professionals. So who should you trust with your taxes?

**Attorneys and Certified Public Accountants (CPAs)** are credentialed to prepare tax returns. They are licensed by the state in which they practice and are well versed in tax law.

**Enrolled Agents (EAs)** must pass an IRS exam to earn their designation. They are federally authorized tax practitioners who are able to represent taxpayers in all states. EAs are the only tax preparer required to exhibit proficiency to the IRS before practicing.

**Paid Preparers in California** must complete a 60-hour course in federal and state tax law and obtain a \$5000 bond in order to register with the California Tax Education Council (CTEC). Once registered, they become a CTEC Registered Tax Preparer and are required to complete 20 hours of annual continuing education and maintain their bond.

**Paid Preparers in Oregon** must be at least 18 years of age, have a high school degree or equivalent, complete 80 hours of income tax law education, and pass a tax preparer examination. Oregon also requires 30 annual continuing education hours.

**Large Commercial Chains:** Please be careful when turning to them. It has been reported in recent years that major chains make the majority of errors on tax returns. (Refer to CNN article from 2004). Ask about how they train their tax preparer, the quality of service you'll receive, and any guarantees they offer on their work.

**Unlicensed Tax Preparers:** If you choose this route you are taking great risks! You wouldn't have an unlicensed surgeon operate on you—don't let an unqualified tax preparer complete your return. Be aware of your increased chance of additional taxes, interest, fines and penalties associated with incorrect or incomplete tax returns.

## WHERE TO FIND A GOOD TAX PROFESSIONAL?

You can find tax professionals in the usual places like phone books, billboards, and tv ads. Targeted mailers and letters may even conveniently appear in your mailbox. My preference for finding any good professional is to first ask my friends.



Call upon friends who have similar lifestyles. Who do they work with and why? If the response is intriguing ask for their preparers name and number. If appropriate, mention the friend who referred you when calling. I (and many of my colleagues) offer client referral discounts. In fact, I've built my business via word of mouth. In professional service fields a good recommendation is invaluable.

## **INTERVIEW TIPS**

Here is a quick interview checklist. Don't forget to include questions of your own!

1. What are their credentials? Follow up to verify them! Check  
Check [www.dca.ca.gov/cba](http://www.dca.ca.gov/cba)  
Or [www.irs.gov](http://www.irs.gov)  
Or [www.calbar.ca.gov](http://www.calbar.ca.gov)  
Or [www.ctec.org](http://www.ctec.org)
2. Do they have experience preparing returns like yours? How long have they been in practice? What are the benefits of hiring them? How do they keep current on tax law changes? What continuing education do they perform?
3. How do they set their fees? Fee per form, flat rate, or an hourly rate? Remember the fee expect to pay can vary greatly depending on the complexity of your return and the expertise of your preparer, even where you live. Make sure you understand what their fee includes. Does it include meeting time with you, the client? What about follow up calls? Will you be billed for those?
4. If you get notice of an audit – can they represent you? For returns they have and haven't prepared? Ask how they bill in the event if an audit as some preparers fee structures change.
5. Ask who will actually be preparing your return? While you may initially meet with the owner of a tax firm, CPA, Attorney, EA, or otherwise credentialed paid preparer, they might not actually be the ones preparing your tax returns. They may be well-qualified individuals—but you should know anyhow. If this is the case, will the credentialed person review your return before signing off on it?
6. GET REFERENCES!! Do not hire a tax professional without checking their references. Which clients would this preparer recommend you call? Get at least four names and phone numbers and ask them about their experience with the person you are considering hiring.

## **ADDITIONAL ITEMS TO CONSIDER**

- Most preparers will not audit or otherwise verify the information you provide.
- Remember no matter who prepares your return, you are ultimately responsible. It's your tax liability. Understand your tax situation.
- Always check your return for mistakes. While you may pay a high price for having a pro prepare your return, the liability is ultimately yours.
- Here's a link to IRS data on most common errors by paid preparers (on hard copy returns --- not filed electronically)  
[www.irs.gov/taxpros/article/0,,id=99032,00.html](http://www.irs.gov/taxpros/article/0,,id=99032,00.html)
- Us government accountability office testimony before the committee on finance, us senate in april 4 2006, paid tax return preparers common errors shown on pg 18 and 19 [www.gao.gov/new.items/d06563t.pdf](http://www.gao.gov/new.items/d06563t.pdf)
- If you're changing preparers, provide the new preparer w/ prior year return and any new information. Important deductions can be easily missed. Be as clear and detailed as possible when talking with your new preparer. Give them all your info!

## **RED FLAGS TO HEED**

Unfortunately there are a handful of unprofessional tax preparers. Don't hesitate to terminate your tax preparer if you are not 100% satisfied with their performance. Keep an eye out for the following warning signs and visit the National Association of Tax Preparers Code of Ethics for more information.

[http://www.natptax.com/about\\_us.html#Code](http://www.natptax.com/about_us.html#Code)

- Refuses to sign your return.
- Asks you to sign a blank form – they'll fill in the details later.
- Charges a fee based on the amount of your return.
- Claims to have credentials that are not valid or current. Again, verify their credentials!!
- Unreturned phone calls and e-mails. No one likes to be in the dark when it comes to his or her money. If your tax preparer isn't promptly returning your calls, consider looking elsewhere.
- Your preparers offer sounds too good to be true. If they guaranteeing your return will be high enough to cover their fee, watch out. This may indicate they're bending rules to make your return appear favorable.

Report suspect tax fraud and abusive return preparers by completing Form 3949-A and mail it or a letter with similar info to IRS Fresno, CA 93888. <http://www.irs.gov/pub/irs-pdf/f3949a.pdf>



If you are not comfortable talking with your preparer find someone else. It is not your tax preparer's job to intimidate you or flaunt their knowledge of obscure tax laws. You pay for their knowledge and support. You may change your tax professional at any time and for any reason. (Unless you've signed an agreement specifically stating otherwise.)

Remember, there is as much diversity in the personalities of tax preparers as there are people. Many tax preparers diligently work to break our stereotyped image. Be diligent in searching for the best fit for your tax needs.

You are moving quickly toward having this tax season behind you. These first steps have taken self-awareness and reflection. The path you will take to complete your taxes has been determined. Reward yourself for making it this far! Treat yourself to a personal indulgence this week.

In the next article, I'll provide a list of tax related documents for you to gather. And you'll learn tax prep tips including easy ideas for organizing your data, and recordkeeping for the self-employed.