

# How to Find the Right Tax Professional

*The National Association of Tax Professionals Offers a Consumer's Guide to Finding the Right Tax Preparer*

National Association of Tax Professionals (NATP) Appleton, WI – Do you know a deduction from a credit? Are you subject to Alternative Minimum Tax? Are receipts required before claiming charitable donations? If you don't know the answer to these questions, or pretty much any other tax-related questions, you're not alone. With the growing complexity of tax preparation, you, like a majority of the population, are likely considering the services of a tax professional. Those who choose to do it themselves are in for an average of 33 hours to prepare an itemized tax return with interest and dividends according to government statistics. And those using "over-the-counter" tax software will average *an additional* ten hours. Surprised?

Tax law is not getting easier to understand and consumers are finding that software packages do not ensure correct preparation. "Any commercial tax software is adequate to prepare a return *where the preparer understands the tax laws and knows what the outcome should be*. These are the major reasons why self-prepared returns have errors -- the software can only add and subtract based on what the user inputs. If a taxpayer doesn't understand the wash-sale rules for the sale of securities; the tax-benefit rule for the taxability of a state refund; or the most advantageous depreciation method and appropriate useful life for business assets, for example, then he shouldn't expect his software to get the correct answer. Knowing the correct

outcome in advance is the key to using any kind of software," shares NATP member Kevin Huston, MBA, and enrolled agent (EA), of Blue Ridge Tax Advisors, Inc. in Asheville, NC.

Tax preparers frequently see clients who tried it on their own, had errors, and then needed help sorting it all out. Many times the errors are the result of incorrect entries and misunderstanding the questions. Errors often do not go in a taxpayer's favor. These are usually the clients who remain with a preparer for life. Why wait to find out the hard way? Save the headaches and consult a preparer before errors occur.

"Most clients think of their tax preparers as someone to consult just once a year, but they should be using their preparer as a resource the entire year," notes Nick Popolo of Birch Tax Service in Staten Island, NY, another NATP member. "Clients should consult a tax preparer when they are obtaining a mortgage, considering an investment, or starting a business." Life changes such as a death or a divorce are additional critical times to consult a tax preparer.

### ***So where do you start to find the right preparer?***

#### **Assess Your Needs**

Several elements factor into the type of professional that is best for you. Just as it is a bad idea to hire a home-repair contractor or a nanny without doing some personal-needs assessments and careful investigation, it is never wise to hire a tax professional without doing the same. Just as importantly, never base your decision solely on cost. "Consider the reason you are thinking of having your return prepared – tax audit, a special problem that you are not sure of, a change in tax laws, or your records are not what they should be. In many cases, the answer to these questions will impact the cost of the return – especially recordkeeping, or lack thereof," advises Kenneth Morales of Lexington, KY. Compare what services are available and included, and assess how the professional meets your personal expectations. These factors will help you determine where you will receive the best professional advice based on your specific needs.

#### ***Decide on a Preparer***

##### **What is the level of experience and education of the tax professional?**

When choosing a tax preparer, consider:

- The complexity of your tax return.
- Your occupation or industry. Does the preparer have specialized training in dealing with your tax situation (i.e. home-based day care providers, elder issues, real estate activities, etc.)?
- Is future financial advice important to you?

- Do you want someone who will also help you out after tax season if the IRS questions something or audits your return? Is this an included service or will it be an additional charge? Is the preparer available year-round?
- What is the fee structure, and does it make sense to you? How does the preparer charge? Flat rate? Per form? If so, how many forms are anticipated? By the hour? How many hours do they estimate? Which way would you feel best paying? Beware of preparers who advertise large refunds or those who base their fee on the percentage of the refund.
- Do you feel that you can trust the person you select? Trust is crucial.

“One responsibility of a tax preparer is to try to reduce chances of audits, therefore, don’t be afraid to ask how many of their clients have been audited in the past ten years,” suggests Darrel D. Shinn, EA, RFC, RR, CTP, an NATP practitioner in Arlington, VA. Other criteria worth thinking about:

- How many and what types of tax returns does the preparer file? Do they help you with clear, professional answers to your questions? If you are a business client, do they help with business-related planning as well?
- How long has the preparer been in the tax business?
- What type of credentials or designations do they maintain? Do they continually upgrade their knowledge by meeting continuing-education requirements?
- Does the preparer belong to any professional organizations? Belonging to a reputable professional organization indicates a commitment to excellence in his or her chosen profession, as professional organizations provide their members with the latest tools necessary to enhance business knowledge as well as providing a valuable resource for information.
- What do other clients say about the tax preparer? Referrals from friends and acquaintances are great, but references are important to check too; satisfied customers attest to reliability. A good preparer will be forthcoming with references.
- Is the preparer a long-time member of your community? Consider what that says about their reliability, loyalty, and trustworthiness. Length of time in business often parallels business skills.

### ***Know the Types of Tax Professionals***

Tax professionals can have a variety of designations, each reflecting various areas of specialization. A designation alone, however, does not always demonstrate tax preparation experience. There are many specializations within the accounting/taxation field. Ask specifically about tax preparation. Also, be aware that many professionals hold multiple designations. The most commonly known designations include certified

public accountants (CPAs), certified financial planners (CFPs), enrolled agents (EAs), and attorneys. All of these credentials and others require substantial amounts of continuing professional education credits to maintain the designation.

- "**EAs** specialize in taxes," emphasizes NATP member Marilyn Meredith, EA, of Port Huron, MI. EAs are required to pass an extensive tax exam that is administered by the IRS, pass a stringent background check, and maintain sufficient continuing education credits in taxation to retain their certification. EAs, as well as CPAs and attorneys, are qualified to represent taxpayers in audits before the IRS.

- A **CPA** has a college degree and has passed an exam required for certification. CPAs are especially qualified to maintain business records and financial statements. Many also prepare tax returns.

- **Accredited tax advisors** (ATAs) and **accredited tax preparers** (ATPs) specialize in the preparation of personal and business returns. ATAs also offer comprehensive tax planning. Both require the completion of an exam in taxation.

- **CFPs** specialize in assessing individual needs and financial planning for the future. They handle investments and advise on "big-picture" planning to help individuals achieve their financial goals using the most advantageous means available. Changing legislation continually gives reason for reviewing planning strategies using IRAs and trusts.

- Many tax professionals do not carry a particular designation but are still highly qualified and reputable individuals. Seriously consider the tax pro that has been located in your community for years. Would they be in business if they did not do a good job?

- Large cookie-cutter firms that pop up around every corner at tax time are not always the best value, the most cost effective, nor do they always employ experienced tax preparers.

As a consumer purchasing services, use caution. Follow the criteria stated above and check references carefully until you feel confident about a tax preparer. As you would for any other business, check with the Better Business Bureau ([www.bbb.org](http://www.bbb.org)) as an added safety measure.

Finally, once you have enlisted the professional help of a tax preparer, it is *critical* that you check to see that he or she has signed your return before submitting it to the IRS. Despite the fact that it is the obligation of the taxpayer to attest to the correct representations on the tax return, "...you want your tax professional to be willing to stand by their work," says Popolo. "Paid preparers are required by the IRS to sign the completed return," adds Huston. "This is because they have to stand behind the theory and reasonableness of everything on that return." Paid preparers who fail to sign returns they prepared are subject to a monetary penalty by the IRS.

Members of the National Association of Tax Professionals (NATP) work at offices that assist over *11 million taxpayers* with tax preparation and planning. *The average NATP member has been in the tax business for over 20 years and holds a tax/financial designation and/or a college degree.* NATP has more than 18,500 members nationwide. Members include individual tax preparers, enrolled agents, certified public accountants, accountants, attorneys, and financial planners. Learn more at [www.natptax.com](http://www.natptax.com).

NATP is a nonprofit professional association founded in 1979 to serve professionals working in all areas of tax practice through professional education, tax research, and products. The national headquarters, located in Appleton, WI, employs over 40 staff members.

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