

# Seven Things You Must Know Before Hiring a Tax Preparer

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## Introduction

Everybody hates doing their taxes. Even if you anticipate getting a good-sized refund check, this time can still be a stressful one.

Hiring a tax preparer can make things go much smoother, but now you have something else to worry about- how do you find a good tax preparer? How are you sure that they know what they're doing? What are the risks if they do it incorrectly?

These are just a few questions to think about when you start looking at hiring a tax preparer. Your taxes aren't something to be taken lightly, so you need to make sure you hire someone who knows what they're doing.

Luckily, you have this report. We'll discuss a few of the most common questions regarding tax preparers, and help ensure that you find the best one for your situation.

Let's get started.

# How to Seek Out the Best Tax Preparer for Your Situation

The first thing you need to do is figure out what's important to you.

Do you want your tax return completed ASAP? Or could it take a little while longer to ensure maximum accuracy?

Are you on a very tight budget, or are you willing to spend a good chunk of change on your tax preparer?

Do you want to use someone that you know (such as a friend or family member), or go to a company that does this full-time?

These are the kinds of questions you should ask yourself. You can't know which tax preparer is best for your situation until you know your situation, right?

Once you identify your situation, you can start looking for your tax preparer with a few different methods.

## Referrals

Your friends and family have to do taxes every year, right? More likely than not, a few of them use tax preparers to help them out.

Ask around and see if you can get a few referrals to good tax preparers. These may be people who do it just for money on the side or full-blown companies.

The only problem with referrals is that they may be biased. Someone who says "oh my Mom always does my tax returns" will obviously be biased. Plus, their Mom probably won't be willing to do your taxes as thoroughly or for free!

Another problem is that if the person giving the recommendation doesn't know much about taxes, they may not really be able to give a good recommendation. They might just recommend the only person they've ever used, just because they don't know anything different.

## **The Internet**

The Internet makes our lives so much easier than they used to be! It's a breeze to find local tax preparers, as well as reviews from previous customers.

The easiest way to get started is just searching for "tax preparer" in Google. It will automatically detect where you are and indicate a few local companies.

Another way to use the Internet is customer review sites like Angie's List. These are great because they were designed to let consumers help each other. Customers will post reviews of a service they used, allowing potential customers for the same service to learn more about that company.

Are you on Facebook? It's a great tool when you're looking for a tax preparer, because it allows you to quickly ask all of your "Friends" if they have any recommendations. This is nice because it allows you to use both the Internet and get Referrals at the same time. That's why Social Media is so cool!

Finally, you can use the Internet to check out the Better Business Bureau. At their website you can look up different tax preparer companies to see if they have a good standing. Even though this is an overall view of the company- not necessarily the office closest to you- it's still not a bad place to look.

## **The Phonebook**

Yup- believe it or not, these do still exist!

Granted- most people just toss them in the trash as soon as they see the phonebook on their doorstep. But they can still serve a purpose besides just making fires or filling up the dump.

The good thing about phone books is that you will find a lot more companies than you will on the Internet. Not all companies have websites yet, but chances are high that you'll find em in the Yellow Pages. This gives you more flexibility, as you'll find more Mom-and-Pop tax preparers that are likely to be less busy than the larger offices.

The bad thing is that these smaller shops may not have as much training or experience as a larger, well-known chain.

So you have a lot of options. Of course there's always the old "drive around and look" method, but why do that when you can weigh your options from your couch at home?

## What are the Different Options for Tax Preparers?

As mentioned in the last section, you have quite a few options for tax preparers. Each has its advantages and disadvantages, so keep that in mind as you glance through this list.

### Tax Preparer Chains

A huge percentage of people use these chains around tax time. They include companies like Liberty Tax, Jackson-Hewitt and H&R Block.

These companies are very convenient, as they have stores all over the country. If you live in a fairly-developed area, you can probably get to one of these stores in less than 20 minutes.

People also like going to these chains because they're known for fast service. Their business model is quantity over quality, which means they try to do your return ASAP.

If you want to just get everything done and over with quickly, these chains are a good option. Another reason to go with these chains is if you don't have much time to shop around or drive a long way to a higher-qualified tax preparer.

But if you're trying to maximize your tax refund- or just ensure that it's 100% accurate... these chains may not be your best option.

### Certified Professional Accountants (CPAs)

A CPA is an accountant who has a lot of education and experience. Many of the "Mom-and-Pop" type places that do taxes are run by CPAs who just like owning their own small business.

The good thing about CPAs is their high level of education and experience. They've been trained to manage a lot of different complex financial things, so doing a tax return really isn't a major issue for them.

Especially because most CPAs specialize in some form of tax accounting, be it personal taxes or corporate tax.

There are a few downsides to using CPAs though. For one thing, they may be more expensive than going to someplace like a chain. You get what you pay for, so you're paying a bit more to ensure that your return is accurate.

Another downside is that even though someone is a CPA, they may not know all of the latest changes to tax law. This is pretty rare, as CPAs are required by law to receive continuous education on tax law.

## **Enrolled Agents**

These are tax professionals who have been certified by the IRS. To become certified, they had to pass a background check and a competency exam.

Like CPAs, enrolled agents have to receive continuous education on tax law. This means that they're always learning about the changes coming down the pike from Congress and the IRS.

The good thing about enrolled agents is that they have a lot of education and training but will probably cost less than a CPA.

The downside is that they might still be more expensive than a chain like Jackson-Hewitt. This isn't always true, it just depends on where you live and who you're working with.

## **Free Tax Preparation**

Depending on your situation, you may qualify to receive free tax preparation services.

Keep in mind that these are typically volunteers who have been trained on the very basis of tax preparation. This isn't their main job, nor do they get paid for it!

Military personnel have access to free tax preparation services on their military base. If you have a low income for your area or you're over 60 years old, you may qualify for the AARP Foundation Tax aid services.

Just keep in mind that even though these services are free, these tax preparers are not highly qualified. If you're trying to maximize your incoming refund- or just ensure that everything is 100% accurate- these services aren't the best way to go!

## Tax Attorneys

Not for your average Joe, tax attorneys are primarily used to help settle complex tax returns or disputes. They know the tax law backwards and forwards, so they can make sure you aren't breaking any laws and that your return is 100% correct.

You probably won't ever need to use a tax attorney unless you have a complex financial portfolio, some major wage garnishments, or get audited by the IRS.



## Do I Need Personal Tax Returns or Business Tax Returns?

This section will be short and sweet.

The type of return you need to file depends on your business type. If you own a corporation or an LLC, you will end up filing 2 different tax returns; one for yourself and the other for your business.

If you have a partnership or sole proprietorship, you can claim that business's income and expenses on your personal tax return.

That's all there is to it.

Just a word of advice though - if you do have a partnership or sole proprietorship, consider changing it into an LLC or corporation for the extra benefits. Even though you're required to file a separate tax return, the tax laws definitely favor corporations over sole proprietorships and partnerships.

Also, if you *do* need a business tax return prepared, I recommend going to a CPA firm that specializes in corporate taxes. There are hundreds of them out there, and (just as you'd expect from the name) they don't do any personal tax returns- only business. That means they'll be able to do a much better job than many of the other options listed earlier.

Hopefully that helps clear everything up!

# How to Interview Tax Preparers

Unless you've done a lot of research, you probably don't want to select the very first tax preparer that you meet. Instead, it's better that you interview a few different ones and then make your decision.

Here's a list of a few things to keep in mind for the interview.

## Be Prepared

A tax preparer can only help you if you're well-prepared. If you show up without any kind of paperwork in hand, they won't be able to give you any kind of idea regarding how much you might get back, what your fees might be, etc.

The best thing you can do is bring as much tax paperwork for this year as you can. This makes life easier for both yourself and the tax preparer you're interviewing.

## Pay Attention to Personality

Tax preparers are people, just like you and me. They have all different kinds of personalities.

Some will be gruff, while others will be exceedingly polite.

Figure out which type of personality you want to work with, and pay attention during your interview. It might be that you want someone very polite, as you want it to be a great experience. Or maybe you want someone that's all-business, as they might be more detail-oriented or willing to do the right thing than someone just trying to please you.

How do you figure out the preparer's personality? Simple- the same way you do anyone else. Pay attention to both verbal and nonverbal communication.

This will tell you how confident, focused, polite, and knowledgeable they are.

## Come with Questions

For your convenience, we've put together a list of questions at the end of this report that you can ask a tax preparer you're interviewing.

The idea is that you should have a few standard things that you ask each preparer that you interview. This allows you to more easily comparison shop and make the right decision.

## How to Comparison Shop When Hiring a Tax Preparer

We've already discussed a few things that will help you compare different tax preparers.

We've discussed the advantages and disadvantages of the various types.

We discussed that you should pay attention to the verbal and nonverbal communication during interviews.

Using the Internet to find reviews on the local tax preparers around your home was also talked about.

So... what else is there?

### Audit Assistance

Getting audited by the IRS is a nightmare. It requires paperwork, annoying phone calls, and a lot of additional stress that you don't really need in your life.

Luckily, some tax preparers will assist you in the event that you get audited. They'll help you pull everything together and even be a middle-man between you and the IRS. This is pretty convenient, as it makes life a lot less stressful for you!

If you're worried about getting audited, keep this in the back of your mind as you're shopping around for your tax preparer. Don't be afraid to ask if they would assist you in case of an audit- and if they say yes, get it in writing!

### Availability and Speed

If you have a pretty simple tax return and you come prepared, this may not be a big deal. A tax preparer with all of the right documentation can finish up everything in an hour or less.

But if your claim gets complex due to lots of assets or deductions, or even if you just don't have all of your paperwork together... your return will take some time.

If this is the case, ask the tax preparer about their availability. Could you just walk in and get one-on-one service? If you sent everything via email, would that suffice? Once you do get everything to them, how long would it take them to process and submit the return?

## Price

Millions of people focus on just one thing when it comes to comparing tax preparers- how much it'll cost 'em. That's perfectly fine, just keep in mind that many times you get what you pay for. In the case of tax preparation, you usually get a more experienced person at higher prices!

## Potential Risks of Not Choosing the Right Tax Preparer

If your tax preparer doesn't do a great job, bad things can happen. Here are some of the common negative consequences:

- Your filing status is incorrect
- Forms are filled out incorrectly
- Business expenses or charitable donations are inflated
- Ineligible dependents are claimed
- Domestic payroll taxes aren't reported or paid
- Income not included on a W-2 isn't reported
- Not checking into the alternative minimum tax (AMT) liability
- The return gets filed without a thorough review from you first
- The Earned Income Credit (EIC) isn't filed correctly

Ultimately, these things (along with a few more) can lead to either 1 of 4 negative things:

1. You pay more than you should
2. Your refund is less than it should be
3. You're told to make a payment instead of receive the refund you're due
4. You get audited

Obviously none of these are fun, although the fourth is definitely the most stressful. There are a few things you can do to avoid this from happening though.

The first thing you should do is your due diligence. Make sure you're working with a reputable tax preparer in your area.

Second, get it in writing that they'll let you review the return before they submit it. This lets you double-check everything, from the basics (like your name and address) to the complex stuff like deductions.

Finally, be wary of tax preparers that promise huge returns, those that don't have a PTIN, any tax preparer that receives a commission based on your return, and anyone who asks you to sign a blank tax return form!

You'd be surprised how many tax preparers out there do those sorts of things.

# Important Questions to Ask Your Tax Preparer

As we discussed in the section about interviews, you should be prepared to ask a lot of questions when you first meet your tax preparer. Here's a list to help get you started.

1. Do you have a Preparer Tax Identification Number from the IRS?
2. What licenses or certifications do you have?
3. How long have you been preparing tax returns?
4. Do you receive continuous training and education on filing taxes?
5. Do you specialize in filing personal taxes for people in similar situations as myself?
6. If I am audited, will you provide assistance?
7. What are your fees?
8. Do you outsource any of your work, or do you do it all yourself?
9. Do you believe I'm paying the right amount of tax here? Or is it too high or too low?
10. What's your privacy policy? Will you share or sell my information to other parties?
11. How long will it take to finish the return?
12. Will you allow me to review the return before you submit it?
13. When and how can you be reached? Email? Phone? Can I just walk in?
14. Do you file electronically?
15. Do you know the requirements of this state?
16. What records and paperwork do you need from me? Can I get it in writing?
17. If there's a problem after tax season is over, how do I get ahold of you?
18. Do you sign my tax returns? If not, who does?
19. Do you store my tax information? If so, where and for how long?
20. Are you a CTEC Registered Tax Preparer?

If you can think of other questions you'd like to ask, go for it! This is just a list to help get you started. We recommend picking at least 10 questions on this list before you start talking to potential tax preparers.

## Conclusion

Tax returns are a huge pain- especially if you do them yourself. That's why we always recommend finding a good tax preparer to help you out.

And even though *that* process can also be painful, it doesn't have to be too bad. Hopefully this report answered a lot of your questions and will help you find the perfect tax preparer for your situation.

Your taxes are important- make sure they're done right! Do your due diligence, find a good preparer, and then sit back while they do all of the hard work for you.

Good luck and please let us know if you have any questions or comments regarding this report or tax preparation.