

## **Why Hire a Licensed Tax Professional – A White Paper**

One day last year I was scrolling through Facebook when I saw a post that immediately caught my attention. A retired local journalist announced his retirement was temporarily ending so he could prepare tax returns at a local accounting office. I nearly “spit my coffee all over my keyboard” when I read this. A retired journalist was going to prepare income tax returns for individuals and businesses at a local accounting firm with zero training or accounting experience? Sure, he was going to be supervised by licensed accountants however, that was going to add time to correct data within the tax return that non-licensed or non-trained accountants do not know to include. All I could think of was the amount of extra money people would be spending because of these mistakes.

Now, I know what you may be thinking. Hey, you are not exactly a licensed tax preparer yourself. You would be correct with that. I have never claimed to be. I am the sales and marketing guy for an accounting firm though. The people that are preparing tax returns for our clients are licensed and trained professionals. You can ask me questions about taxes, however, I always direct those to my partner within the firm that is a licensed tax professional. Our white papers, videos and case studies are always vetted and researched prior to posting.

On another occasion I was part of a group that was interviewing candidates for a treasurer position with a local non-profit organization. One of our candidates was a Certified Public Accountant from another firm in our community. This candidate had previously worked for the largest accounting firm in our area and prepares the tax return for this particular non-profit organization. When asking the candidate financial information about the organization she could not give us an answer. Her final response was “I just put the numbers in” when asked about information within our tax return. Needless to say, a different candidate was chosen for the treasurer position because they could read the financials and provide detail as to what they said.

I always tell people that numbers can tell a story. Numbers have meaning for a business owner or a Board of Directors. These numbers can tell the story of where an organization has come from, or what direction it may be headed in should it not change its spending habits. Understanding numbers can help a business plan for its future. A licensed accountant can explain these numbers to someone that may not easily understand them or someone that is doing data entry and just punching them in.

To be clear, there are two types of licensed tax professionals out there. The most common is the Certified Public Accountant (CPA). This designation is the “Kleenex” example of accountants. CPA’s are licensed by State, similar to attorneys. CPA’s are required to maintain and complete continuing education requirements each year. While certain types of continuing education are required, the quality of continuing education can vary greatly. This is why our accounting staff often attends training/education directly with the Association of Certified Public Accountants (AICPA) and the United States Department of the Treasury, Internal Revenue Service (IRS). The other type of licensed tax professional is an Enrolled Agent (EA). This professional is licensed directly by the IRS. While similar to a CPA there are a few differences, most of which came about when CPA’s allowed Enron to fudge their financial figures and commit fraud. Both a CPA and

an EA are licensed to represent a taxpayer or business to the IRS should that business ever be in an IRS audit situation.

Right now, there are a lot of people out there selling tax preparation services that are not licensed tax professionals. They are able to obtain a free tax preparer identification number (PTIN) from the IRS. Anybody can obtain this number. In fact, even I have one and I do not prepare taxes myself. These organizations hire people off the street or senior citizens to prepare tax returns at a significantly lower rate than what a licensed accountant would charge. Should the tax payer be audited, this tax preparer would be unable to represent the tax payer which could leave the tax payer vulnerable as they are not experienced working with an IRS agent that is trained to get as much out of a taxpayer as they can.

Licensed tax preparers also have a code of ethics they must uphold. In the accounting world, the AICPA has a code of professional conduct for its members. A licensed accountant, whether a CPA or an EA must exhibit professional skills and competence. They must also protect the confidentiality of client information. This is very important. Would you like for someone that has access to your private financial information to be sitting at a local bar talking about it with a group of people? There are also honesty and integrity standards that require an accountant to present information to their clients in an objective fashion. Further, there are also independence and objectivity requirements along with professionalism standards that must be met. Do you think the person that is hired off the street without a degree, certification or licensing is meeting each of these standards?

Back when I was in school, we were actually taught income tax preparation in our math classes. With the push to more engineering and science-based education our schools have gotten far away from basic math skills that people need in their everyday lives. While I was taught the basic 1040 form, what we were not taught was the more complicated business tax returns or non-profit tax returns. With the simple 1040 we basically entered W2 wages and wah-la, we were done. Although the form has been shortened this year the IRS has added 9 additional schedules to the tax return. Most people do not have the time to keep up with all these changes and are likely leaving money on the table when preparing their own returns because they are scared of an audit or do not realize that something that may be deductible would benefit their tax position.

I mentioned earlier that our licensed tax professionals at Tate & Associates attend training each year through the AICPA and the IRS. We prefer to go right to the source of tax law to get our training. While we do use webinars at times, we prefer to go directly to the source so we can ask questions and get information that is pertinent to our clients. Not every client is the same, so the cookie cutter approach that some tax preparation organizations and software try to use does not work with every client. If we hear of an interesting tax break that is going to help our client get more money back, simply because we went to Washington DC and were able to ask the IRS Commissioner a question directly, that just covered the cost of our travel and class fees.

I realize tax preparation software is readily available. We are going to talk about this next time. Just as many other things come to light, although there may be more convenience out there, nothing beats the experience and expertise of a real-life human being. Nothing better helps our clients than

licensed, certified and trained tax preparers. If you are going a cost-effective route, you are probably going to get what you pay for. By not using a licensed professional you are opening yourself up to audits and not having reliable, trained personal representation in front of an IRS auditor. When choosing a tax preparation professional be sure to ask about the licensing and training of the staff that is preparing your tax return and going through your financial information.