

Selecting a New Tax Preparer

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I consider it vital for self-employed individuals to use a competent tax preparer rather than tax preparation software. A few years ago my long-time tax preparer retired and I had to select a new preparer. The following is the process I used.

I was most interested in engaging a CPA, but I would have settled for an enrolled agent if the interview was satisfactory. I am now in my fourth year with my new tax preparer, a CPA, and I am completely satisfied.

My tax preparer has saved me thousands of dollars by advising me on the management of my traditional and Roth IRA accounts, and has saved me numerous hours in the preparation of my Schedule C. We sit down in early December in his office, I provide him with a revenue estimate and cost estimates, and he then presents a number of “what ifs” on Excel before the two of us agree on a tax-filing strategy.

While I am not Warren Buffet, every year I receive a mountain of tax documents from my investment company. And although they make my eyes cross, my CPA breezes through these tax documents with ease. Below are some suggestions to use in your search for a tax preparer.

Expectations of My Tax Preparer:

- Prepare U.S. and state returns;
- Prepare 1099s for my contractors;
- Be responsive to emails and phone calls, responds within 24 hours;
- Provide tax planning research and advice; and
- Be available for phone calls, and return calls within 24 hrs.

Plusses of Working with Me:

- Tax documents to preparer early in season, usually by first week in February;
- Well organized financial records, no shoebox nightmare;
- Schedule C expenses thoroughly documented;
- No past or pending IRS audits or inquires; and
- No messes to clean up: back taxes, audits, liens, home office deduction, etc.

Questions to Ask a Potential Tax Preparer:

1. Do you have other clients similar to me in terms of my needs?
2. What are your credentials? Do you have a PTIN (Preparer Tax Identification Number)? How long in business?
3. Would I work with you or someone else in your organization?
4. Do you work year round?
5. Will you provide me with tax planning advice?
6. Will you represent me if the IRS contacts me? (It is important to understand that although a tax preparer may represent you before the IRS, this is an engagement separate from your tax preparation and may be billed accordingly.)
7. How do you determine your fees? Can you give me an estimate of what you would charge for my type of return?
8. Would you be willing to provide references?
9. What else do you need to know about me?

Tax Rating Preparer Template

| Criteria | Comment | Rating 1-5. 5 High |
|-----------------------------|---|---------------------------|
| 1. Credentials & Experience | CPA best, next best option. look for an enrolled agent | |
| 2. Clients Served | Similar to my profile, e.g., self-employed or small business | |
| 3. Planning and Research | These functions are vital to help you to legally minimize your tax burden | |
| 4. Email Availability | Indispensable to answer short questions | |
| 5. Location | My preparer is a five-minute drive from my home | |
| 6. Fees | Fit your budget? Affordable? Hourly or set fee? | |

Contact Information

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