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What Should Individuals Consider in Hiring a Tax Return Preparer?

Thomson Reuters analyst explains six considerations for choosing a reputable U.S. individual tax preparer

NEW YORK, March 13, 2013 –“If you’re one of the many Americans who depends on a tax return preparer to do your taxes, remember that you’re still legally responsible for what’s on your tax return even if it’s prepared by someone else,” says Harris Abrams, Esq., a senior tax analyst at Thomson Reuters.

“A competent return preparer can make your life a lot easier – and make sure you get every legitimate tax break. But, an inexperienced or unethical preparer can put you on the wrong side of the IRS, warns Abrams.” So, it is important to choose carefully when hiring a preparer – whether hiring a certified public accountant (CPA), a tax attorney, a solo practitioner, a large firm, or other paid preparer.

Abrams advises that taxpayers consider the following situations when choosing, and using, a tax return preparer:

1. **Is this person qualified?** Ask the CPA, attorney, or any other paid preparer whether he or she is affiliated with a professional organization that provides its members with continuing education classes and holds them to a code of ethics. The IRS is seeking to require that those who are not an attorney, CPA, or enrolled agent (EA) register with the IRS, pass a test to demonstrate that they have met minimal competency requirements, and satisfy continuing education rules and ethical standards. Those who pass the IRS test would become Registered Tax Return Preparers (RTRPs). However, these requirements have been challenged in court and are not yet in effect.
2. **How does the preparer’s track record look?** Check to see if the preparer has a questionable history with the Better Business Bureau. Also check for any disciplinary actions and licensure status through the state bar associations for attorneys, the state boards of accountancy for CPAs, and the IRS Office of Professional Responsibility for enrolled agents (EAs).
3. **On what criteria does the preparer base service fees?** Avoid preparers who base their fees on a percentage of the refund or those who claim they can get larger refunds than other preparers. “There’s a right way to prepare a return,” Abrams notes. “While you obviously don’t want to pay more tax than you should, you also don’t want to pay less – unless you *want* to run the risk of being audited and paying the amount of tax you actually owe plus interest and penalties. So, it’s best to steer clear of preparers whose pay depends on how big a refund they can get you.”
4. **What should be provided to the preparer?** Taxpayers should gather records and receipts ahead of time. Any reputable preparer will ask to see them. And any reputable preparer will ask multiple questions to determine the total income and the qualifications for credits, deductions, exemptions, etc. “Getting all your ducks in a row before you meet with the preparer will make the process quicker and less stressful, and reduce the chance of missing a tax break you have coming to you,” Abrams advises.
5. **Who is responsible for the return?** Even though a professional may prepare the return, it is still the taxpayer’s return. Taxpayers should make sure they understand the elections and are



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comfortable with the accuracy of the return before signing it. "A reputable tax return preparer will generally be glad to answer any questions you have," says Abrams. "This is a classic example of a situation where the only dumb question is the one that you don't ask. And remember – even though the preparer signs the return as well, it's the taxpayer who is responsible for the accuracy of every item on that return. So, take the time to know what you're signing. An obvious corollary is that you should never sign a blank return – or do business with a preparer who asks you to do so."

6. **Is the preparer reachable?** "You sign the return, leave the preparer's office with a copy, and the preparer e-files it. End of story? Not always." Even a perfectly accurate return can be audited – and that may not happen until long after mid-April. Abrams also notes that, "an IRS audit is one of the most stressful experiences most people can imagine. Your chances of getting through unscathed are a lot better with a professional by your side. So, try to make sure the preparer will be available for questions after the return is filed."

Taxpayers should consult with a personal tax adviser before applying these or other tax strategies.

Up-to-date analyses of legislation and regulations affecting individual taxpayers are available for tax and accounting professionals on the industry-leading, award-winning [Thomson Reuters Checkpoint](#) research platform.

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