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Small Business Guide



How To Select A Tax Accountant For Your Coaching Or Consulting Business

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Selecting a tax preparer for you or your business can be a daunting task. There are many choices, ranging from hiring a highly credentialed and experienced tax specialist to doing it yourself.

If you run a business and need a corporate or partnership return prepared, it's wise to seek out a professional. If you are seeking help for your individual return and your situation is complex or there has been a change in the tax year, it makes good sense to hire a tax preparer.



Even if your situation is simple, we recommend you get help from a professional for two reasons.

1. It's impossible to keep up with all the deductions and credits you could be eligible for without hiring an expert.
2. The tax preparation software that is available for consumer use can easily produce an inaccurate return, leading to calculation errors, and worse, credits and deductions not taken.

We've put together this brief list to help you choose the best tax expert to fit your needs.

1. Communication and "Bedside Manner"

Many business owners have a love-hate relationship with their tax preparer. The best way to get more love and less hate is to get clear on their communication style.

Ask them how they handle telling a client that they owe \$10,000 in taxes when the client thought they were getting a refund. Their answer will indicate many things about their communication style, how they treat their clients, how proactive they are in recommending tax planning, and their personal responsibility for their work.

Many entrepreneurs also feel a great deal of money shame - from feeling disorganized to drowning in financial chaos. **Ask them how they communicate with clients who experience strong emotions around their finances.**

Of course, they should be able to explain the numbers on your tax



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return so that you understand it. They should clearly answer any questions you have about the process. Sometimes there are choices with the tax law. These should be explained to you so that you can make an informed decision.

Some tax return items will trigger “red flags.” A great tax accountant will point these out, explain any risks, and give you options on how to reduce these red flags, if possible.

2. Tax Credentials

Anyone who prepares a tax return for compensation must have a PTIN through the IRS. PTIN stands for Paid Preparer Tax Identification Number. If your tax preparer does not have a PTIN or does not sign your return in the paid preparer section, then something is wrong; we recommend you find someone else to prepare your return.

The only individuals who can represent taxpayers before the IRS are CPAs, EAs, and attorneys.

- CPA, Certified Public Accountant. CPAs must pass an extremely rigorous 2-day exam including a section on tax, gain two years of experience under the supervision of another CPA, earn a 5-year college degree in accounting, follow their industry’s ethics guidelines, and take 40 hours of annual continuing education courses. A CPA will also hold a license by a state board of accountancy.
- Tax attorney. If your tax situation requires both tax and legal assistance, then a tax attorney might be right for you.
- EA, Enrolled Agent. EAs must pass a three-part tax examination or be a former IRS employee, follow ethical standards, and complete 24 hours of tax courses annually.



Although you can expect to pay more for credentialed tax preparers, you can also expect more value, experience, and expertise.

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3. Scope of Services

Tax accountants vary in the scope of services they offer clients. Ask your tax preparer which ones they offer:

Most sole-proprietors could need:

- Individual federal and state income tax preparation and filing
- Tax planning

Individuals with more complicated businesses and more financial assets could need:

- Corporate C and S, Partnership, and LLCs tax return preparation and filing
- Estate and trust tax compliance
- Nonprofit tax return preparation and filing
- Foreign tax compliance including ex-pats, FBAR/FATCA compliance



Individuals or businesses with prior year tax issues could need:

- Tax correspondence, resolution, representation
- Delinquent and amended return assistance

If your tax accountant does not do everything you need, they may have referral sources that they work closely with that can fill any gaps for you.

4. Responsiveness and Availability

The year-round availability of the tax accountant is a huge factor in deciding who to choose. What if you receive correspondence from the IRS in July and your tax accountant has closed its office for the year?

Most accountants are diligent about returning calls and emails. However, the response time will vary depending on the time of year. February through mid-April are very busy months for tax accountants. Avoid the rush and get your items to the tax accountant by early February if possible. Some tax accountants are also very busy in September through mid-October, which is the final deadline to file.

5. Client Experience

On average, a single tax accountant will prepare 200-300 returns, depending on complexity and type. Generally speaking, the more returns a tax accountant has prepared in their career, the more expertise they will have.

Look for a tax preparer that has prepared hundreds of returns very similar to yours.

6. Billing Methods

More than 90 percent of tax preparers will quote a flat fee or a per-schedule fee to do your return. In order to give you a fair and complete quote, be sure to let them know your complete situation.

If you run into a tax preparer that quotes you a percentage of your refund, do not hire this person. This pricing method is considered unethical.

7. Payment Methods and Terms

Ask each tax accountant that you are considering how you can pay and what the terms are for payment. Some accountants take credit cards or PayPal payments.

It's standard for tax accountants to request payment prior to filing your return.

8. Continuing Education

Since the tax laws change every year, it's essential that your tax accountant attend tax courses frequently. Good tax accountants will have attended a tax course in the last year.

10 Questions

Here is a 10-question summary from the points we just outlined above. Use these in your interviews with tax accountants.

1. How do you tell a client that they owe \$10,000 in taxes when the client thought they were getting a refund?
2. How do you communicate with clients who experience strong emotions around their finances?
3. What tax accounting licenses or education do you hold?
4. How patient are you if I need something explained on a report or in the accounting software?
5. What services do you offer?
6. Are you available year-round?
7. How many tax returns have you done like mine?
8. How do you charge?
9. What payment options do you take?
10. When was your last tax update course?