Surprising Truths About Tax Preparers

By Caroline Jordan, MBA

Choosing the right tax preparer for your business is a decision best not left until April. A former tax preparer and small business mastermind offers insights into the secret world of tax preparers.

1. All tax preparers are not created equal.

It stands to reason, somewhere in the country is the Worst Tax Preparer. The bad news is you may have already booked your appointment with him. Preparing taxes is a complex activity. So complex that many of us simply throw in the towel, pack up our receipts, and head for the nearest tax office. When you arrive at the office, you fully expect our tax preparer to be highly competent and completely vested in getting you the best deal in town.

Back in my tax preparing days, I worked for one of the big name tax preparation franchises both as a preparer and as a tax return editor. I worked with seasoned professionals and total neophytes. I well remember the first time I stepped up to the plate as a new preparer. I was terrified. Terrified the customer would know I was inexperienced. Terrified I'd make a huge blunder and the customer would pick up on it. Terrified the more experienced preparers would laugh at my mistakes.

I quickly realized that as inexperienced as I was, I still knew way more than my clients did. And because the franchise had great systems, others would be checking and re-checking my work so my mistakes and oversights would be caught before I did any damage to the client.

As a tax return editor, I saw and corrected more mistakes than you would feel comfortable knowing about. Which brings me to a very important point, tax preparation is not a cut and dried, read the manual, do the formulas, follow the instructions, and poof! you're done kind of activity. The tax codes in this country are complex and open to interpretation.

Tax preparers have a wide range of experience from none to grizzled veteran. They also span the continuum from ethical to completely fraudulent. The more complex your return, the more you need a veteran preparer. And if your preparer tells you about this great deduction that you can take and it sounds suspicious to you, listen to your intuition. It's the difference between paying a little bit now or paying a whole lot later.

2. Tax preparers are not business experts.

The only business experts in the world are those who are running successful businesses. Tax preparers are trained to understand taxes. They're trained to know the proper forms and deductions. They're trained to help you with tax planning. They are not trained to understand how business works.

Now, you may have a tax preparer who is also a successful business owner. Many CPA's, accountants, bookkeepers, and tax preparers do run their own businesses.

They're in a much better position to help you with your taxes because they understand the day to day challenges of running a business.

Understand that having your taxes prepared by a big name franchise, although it does ensure that your return is accurate, does not mean that your return is prepared in a way that is best for your business. Only a preparer who understands business can prepare a return that works for your business.

3. Hiring a tax preparer doesn't mean you're excused from understanding taxes.

I've seen it so many times. I sit down with a client to talk about finances or taxes. As I talk, the head is nodding, the mouth is saying, "uh huh, uh huh", but what they're really focused on is the pen in their hand. They don't want to understand, they just want to sign off on the paperwork and be done with it. "That's what I hire you for", they say.

Big mistake. I could be sentencing them to time in a federal prison. Trusting someone else to the point where you abdicate all responsibility and have no knowledge of what you're signing or what is being done in your name is a recipe for a big fat slice of disaster. That's how embezzlement happens—I trust Mary completely. Bob always takes care of that. And it's also how business owners end up in trouble—What do you mean he took a deduction for my Chihuahua as a guard dog? Hey, why didn't I get a deduction for my new computer?

You have to know enough about taxes to be able to read your return intelligently so you know what you're signing. You also need to know enough about taxes so you know what your tax preparer needs to know to prepare your return accurately and to your best advantage.

And don't get your education from your buddies. I heard a lot about these "special deductions" you can take. Usually the information is not based on facts or tax codes. It's a conglomeration of bad information that can get you into tax trouble.

4. Your tax preparer shouldn't be the one telling you how your business is doing.

It hits them hard. They couldn't be more shocked if you'd hit them upside the head with a dead fish. "I owe how much?!?!", they gasp. "How can that be? I don't have any money!" Then the desperation sets in. The tax preparer is accused of not doing a good enough job. "You must have missed something." Or, they dig deep trying to think of anything, anything at all, that can lower their tax liability. "Did I mention that vacation, I mean, business trip I took to the Caribbean? That's deductible right?"

If the only time you know how your business is doing is on April 15th, you're doing yourself a huge disservice. If you're not tracking your tax liability and making plans to satisfy that liability, you're in for a very long, painful, tortuous lesson delivered at the hands of the Internal Revenue Service. You will pay. You will pay way more than if you'd planned ahead. And it will take you forever to get caught up.

5. Why getting your tax return prepared shouldn't be an errand you run on your lunch break.

I was in a client's office one day getting her books closed out for the year so she could have her tax return prepared. I overheard a woman in the next office telling someone, "I'm just going to run out and get my taxes done." I was horrified. Having your taxes prepared is not something you just "run out" and get done like an oil change. Good tax preparers are like good hair stylists. They have followings. People pre-book them.

If you just "run out" and have your taxes done, who do you think you'll get as a tax preparer? The best and the brightest? Hardly. You'll get the first year preparers who haven't built up a following. The ones who are fresh out of tax class and generally have no experience preparing tax returns or running a business. The ones who don't have the expertise to know the ins and outs of interpreting tax codes to your best advantage while still keeping you within the law. Sure everyone deserves a chance to gain experience but do you really want to be the first patient a surgeon operates on?

6. Procrastination is your worst enemy.

It's April 14th. You think you probably should get your tax stuff together pretty soon. So, you work late into the night, gathering receipts, pawing through stacks of paper, digging under the seat of your car until finally you've got everything you need. Off you go on your lunch break on April 15th to get your return prepared. Your tax preparer, who has been working at a feverish pitch for weeks, has deep circles under her eyes, her hands are shaking from lack of sleep and too much caffeine, and you notice a small stream of drool running down her chin. "Oh look," she exclaims laughing maniacally, "Another return!" And you think to yourself, "What's her problem?"

You, my procrastinating friend, are her problem. Now she's got to frantically race around trying to keep you out of trouble because you didn't have the courtesy or forethought to be prepared well ahead of the deadline. And then she'll have to listen to you whine because now all of a sudden you have to come up with thousands of dollars that you didn't know you owed.

Do yourself a favor, get your return done early. If you owe money, you don't have to send it until April 15th. At least you'll know that your return was prepared by a tax preparer who wasn't fatigued, you'll know ahead of time what you owe, and you'll have it off your mind so you can focus on other important things. Like getting your oil changed on your lunch break.

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