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Some options for selecting tax preparer

The April 15 income tax deadline is approaching. If you need tax help, how do you choose a qualified tax preparer?

Four groups of professionals who can prepare California returns: attorneys (JD), enrolled agents (EA), certified public accountants (CPA), and California registered tax preparers (CRTP).

The federal government created the EA designation in 1884 to help deal with civil war loss claims. Now EAs prepare tax returns and represent clients for IRS inquiries. The IRS website says “enrolled agents, like attorneys and certified public accountants, are unrestricted as to which taxpayers they can represent (and) what types of tax matters they can handle.”

EA licensing requires a federal application and background check. Everyone except former IRS employees must pass the Special Enrollment Exam. The test includes individual and business taxes, and how to represent tax matters. EAs renew their federal licenses every three years. Seventy-two hours of continuing education is required in taxes and ethics.

CPAs are licensed and certificated with both national and state requirements. In this state, only active California CPAs can prepare tax returns for a fee. California CPAs are licensed through the State Board of Accountancy. Each CPA must complete a baccalaureate degree, 24 college accounting units including auditing, taxation, and financial statement reporting; credits in general business; and pass a two-day exam. In California, CPA active license renewals require 80 hours of continuing education. CPAs can be recertified without up-to-date tax education.

Martin Seiden, a partner in Woodland Hills’ Gish Seiden LLP, said the price for tax preparation ranges between \$140 to \$250 per hour for staff and partners and \$325 per hour for returns. Then you have to add review and computer charges.

Another tax professional title is CRTP. The Franchise Tax Board regulates “any non-exempt tax preparer in California who, for a fee, assists with or prepares state and/or federal income tax returns.” Practitioners must register with the California Tax Education Council (CTEC) to get the CRTP title. California CPAs, State Bar members, EAs, and other specified officials are exempt from the registration requirement. CRTPs must complete a 60 hour course from a permitted provider, buy a \$5,000 bond, and have an application approved. Annually, CRTPs complete 12 hours of federal tax education and 4 California tax training hours.

A tax attorney has a law degree and is admitted to practice in California. The California Bar Association regulates lawyers and ensures legal representatives have appropriate education, follow ethical rules, and complete continuing education on a timely basis. Tax attorneys can be distinguished from other lawyers by experience and qualifications. Desirable credentials are membership in the National College for Tax Defense or the State Bar of California’s taxation section, masters in Taxation or IRS work experience. Tax attorneys charge between \$400 and \$700 per hour and are less likely to prepare tax returns for clients.

To find a qualified tax preparer, call a practitioner and ask:

- 1) Who will work on my return? What are their qualifications? (When you meet the preparer, ask to see these credentials).
- 2) What continuing education courses in taxation has my preparer taken recently?
- 3) What are your hourly charges? Does the practitioner’s experience level affect the price?
- 4) How can I keep the cost down? Can I have a breakdown of what the preparer does? Do you have a price cap for 1040As?
- 5) How long will you take to complete my return?
- 6) If the IRS has a problem with a return you prepare, what do you charge to represent me before the IRS?