

September 2013 Blog- Tax Preparation- Do Not Wait Until After Year End to Select an Accountant.

As we approach the last quarter of 2013, it is a good time to begin to review accounts to prepare for closure of the end of the fiscal year. The last quarter is a good opportunity to examine gains and off-setting losses in your portfolio and to position your portfolio to minimize the tax impact on the 2013 tax year.

Generally there are three different methods for preparing the Federal tax returns to be filed with the IRS. Do it yourself through the IRS web site, filing using commercially available software, and file through a professional tax preparer. Although the IRS's e-filing system has been operational since 1986, the big jump in use came in 2009 when Congress required that all tax-preparers who prepare more than 10 returns a year use the IRS's e-filing system. You can download the Fill-able forms and prepare your own returns, much as you would have prepared paper forms in prior years. If your income is \$57,000 or less, you can also file with the IRS's Free File software. It is available for free through the irs.gov web site. There are also commercial tax software packages available through such firms as TurboTax (from Intuit), H&R Block at Home and TaxAct.

We have always felt that preparing our own taxes is time consuming, stressful and confusing and we find it much too complex to navigate on our own. For those of us who still prefer to use a professional tax preparer, they essentially fall into four different categories:

- **Attorney-** granted authority from the IRS based on their status as an attorney. Rules differ for each state but the IRS grants them the ability to prepare tax returns and to represent clients before the IRS for any tax matter. Attorneys are required to maintain continuing education requirements determined by the state in which they practice. Often attorneys are the best choice for complex tax matters but generally their fees reflect their high level of expertise.
- **Certified Public Accountant-** is also licensed by each state and has the ability to represent clients before the IRS even for original returns prepared by others. CPA's tend to specialize in specific areas, and not all CPA's handle tax issues. As with attorneys, CPA's are required to maintain continuing education requirements determined by the state in which they practice.
- **Enrolled Agent-** is federally licensed by the IRS with unlimited practice rights to represent clients before the IRS on any tax matter. The continuing education requirements for enrolled agents of 72 hours every three years are much more stringent than registered agents.
- **Registered Tax Return Preparer** – have limited practice rights and also require less stringent continuing education requirement of only 15 hours per year and can only

represent clients before the IRS for returns which they have prepared. This designation was established in 2011.

We have always felt it invaluable to meet with our tax preparer in advance of the end of the calendar year to discuss potential planning measures to minimize tax impact of deferring pending year-end bonuses and other tax advantages outside the scope of your investment advisor. ***If you are only meeting with or talking to your tax preparer once a year at filing time, you are not taking advantage of critical planning opportunities your preparer can offer.***

If you need to hire a new tax preparer, waiting until after January 1 is generally too late as your options will be far more limited and getting the attention of a professional tax preparer becomes increasingly difficult the closer April 15th looms. It is best to begin this process of interviewing and hiring a tax preparer, in the fall of the tax year, well before onslaught of tax filings. As part of the selection/interview process, we would advise looking into the following areas of the accounting practice and the services provided:

Services- most firms offer tax and auditing services, but as a small business owner you might require additional services in booking, management consulting. These services could include coordinated estate consulting advice with your accountant, financial advisor and attorney.

Personality- If you go to an accountant only once per year, you are not utilizing the accountant to your maximum benefit. An account should work closely with you and your financial advisor to help you implement your financial goals in such a way that it minimizes the tax consequences of those goals. You should feel comfortable dealing with your accountant.

Fees- most firms charge by the hour, which may or may not include a monthly retainer. The best, most effective meetings with your tax consultant will be those in which you are fully prepared and well organized with your questions and facts. An effective use of an accountant's time does not involve turning over a paper bag full of unorganized receipts at year end. The better organized your financial records are, the less time the accountant has to spend on your case and the lower your fees will be.

The scope of your relationship with your tax preparer should be sure to go beyond the scope of number crunching and tax form preparation.